Budget of the Governor-General of India, 1922-23.

00134339

BOMBAY BRANCH
OF THE
ROYAL ASIATIC SOCIETY.
TOWN HALL, BOMBAY.

Digitized with financial assistance from

Government of Maharashtra

on 01 February, 2020

EAST INDIA (BUDGET, 1922-23).

# BUDGET

OF THE

## Governor-General of India in Council

## FOR 1922-23,

AND

134339

## DISCUSSIONS THEREON IN THE INDIAN LEGISLATURE.

26/17/21

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

LONDON:
PRINTED & PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE
To be purchased through any Bookseller or directly from H.M. STATIONERY OFFICE at the following addresses: Imperial House, Kingsway, London, W.C.2, and 28 Abingdon Street, London, S.W.1; 37 Peter Street, Manchester; 1 St. Andrew's Crescent, Cardiff; or 23 Forth Street, Edinburgh.
1922
PRINTED IN INDIA.
*Price* 12s. 6d. *Net.*

00134339

# GOVERNMENT PUBLICATIONS.

(with the under-mentioned exceptions)

can be purchased in the manner indicated on the first page of this wrapper.

**Hydrographical Publications of the Admiralty** are sold by J. D. Potter, 145, Minories, London, E.1.

**Patent Office Publications** are sold at the Patent Office, 25, Southampton Buildings, Chancery Lane, London, W.C.2.

**Ordnance Survey and Geological Survey Publications** can be purchased from the Director-General of the Ordnance Survey, Southampton; from the Director, Ordnance Survey, Dublin; or from Agents in most of the chief towns of the United Kingdom. They can also be ordered through any Bookseller. Small Scale Maps are on sale at the following branches of H.M. Stationery Office:—28, Abingdon Street, S.W.1; 37, Peter Street, Manchester; 1, St. Andrew's Crescent, Cardiff; and 23, Forth Street, Edinburgh; and all Railway Bookstalls.

**The Journal of the Ministry of Agriculture** is published on the 1st of each month by the Ministry, and is obtainable from the Ministry, 10, Whitehall Place, London, S.W.1. Illustrated, 96 pages. Price 6*d*., post free.

---

The following is a list of some recent Parliamentary and Official Publications. (*All prices are net, and those in parentheses include postage*):—

## REPORT ON THE CONDITIONS AND PROSPECTS AT THE CLOSE OF THE WAR.

INTRODUCTION; General Position of British Trade after the War; Foreign Competition; The Elimination of the Central Powers; American and Japanese Competition; Development of Indian Industries; Attitude of the Senior Merchant Houses in India; Need for more Import Merchants; Manufacturers' Branches in India; Exchange; Conclusion; Appendices:—Value of the Trade with the United Kingdom, Germany, Austria Hungary; The United States and Japan; Detailed Examination of the leading Import Trades with special Reference to the Changes in Character, Volume and Origin of the Imports during the Years of War; Appendices relating to Imports, &c.; Methods of Representation and Distribution in India; The Development of Indian Industries and its Significance; Prospects for the Sale of Canadian Produce and Manufacturers, Appendix Export of Indian Merchandise to Canada. (*With Map of Railways.*)

[Cmd. 442] Session 1919. Price 2*s*. (2*s*. 5½*d*.).

## INCOME AND EXPENDITUR… …E THREE YEARS FRO…

MEMORANDUM; Net Income:—Lan… …pium; Taxation; Revenue derived from Commercial Undertakings; …:—Debt Services; Military Services; Collection of R…venue; Civil … …rges; Civil Works; Famine Relief and Insurance.

H.C. 116 of Session 1921. Pr…

BOMBAY BRANCH
OF THE
Royal Asiatic Society.

## FINANCIAL STA… …921-22.

and Discussions thereon in the Legislative Council of the Governor-General.

H.C. 153 of Session 1921. Price 8*s*. (9*s*.).

## HOME ACCOUNTS.

ACCOUNT, for 1919-20, of the Receipts and Disbursements of the Home Treasury; Report of the Auditor thereon, and on the Stores Accounts; Summary of Payments for Stores procured for Shipment to India, &c.; Account of the Charges and Receipts in respect of the India Troop Service; Comparison of the Estimated and Actual Receipts and Disbursements of the Home Treasury.

Estimated Account, for 1918-19, of the Receipts and Disbursements of the Home Treasury; Account showing the Total Amount of Indian Debt raised in England, the Annual Interest thereon, and the Indian Railway Annuities, with the Cost of Management; Statement showing New or Increased Salaries or Pensions granted or created in England; List of the Establishment of the Secretary of State in Council of India, and Estimate of the Amount required in 1920 to pay the Salaries and other Expenses of the India Office and of the Office of the Auditors of the Accounts of the Secretary of State.

H.C. 119 of Session 1921. Price 1*s*. (1*s*. 2½*d*.).

## STATISTICAL ABSTRACT.

### British India from 1909-10 to 1918-19.

54TH NUMBER.

AREA and Population, 1911; Justice, Police, and Prisons; Registration; Finance; Coinage and Currency; Post Office; Bank; Telegraphs; Municipalities; District and Local Boards; Education; Press; Co-operative Societies; Meteorology; Agriculture, Forests, and Land Tenures; Railways; Irrigation Works; Foreign Trade; Shipping; Coasting Trade; Ships Built; Ships Registered; Merchandise Marks; Port Trusts; Army; Emigration; Vital Statistics; Lunatic Asylums; Wages; Prices Current; Joint Stock Companies; Industries; Factory Inspection; Patents and Designs; Mineral Production. Appendices:—Customs Tariff; Chief Sources of Statistical Information; Currency and Weights and Measures. Index.

[Cmd. 1425] of Session 1921. Price 2*s*. (2*s*. 4*d*.).

**EAST INDIA (BUDGET, 1922-23).**

# BUDGET

OF THE

## Governor-General of India in Council

## FOR 1922-23,

AND

## DISCUSSIONS THEREON IN THE INDIAN LEGISLATURE.

LIBRARY OF THE BOMBAY BRANCH OF THE ASIATIC SOCIETY

LONDON:

PRINTED & PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased through any Bookseller or directly from H.M. STATIONERY OFFICE at the following addresses: Imperial House, Kingsway, London, W.C.2, and 28 Abingdon Street, London, S.W.1; 37 Peter Street, Manchester; 1 St. Andrew's Crescent, Cardiff; or 23 Forth Street, Edinburgh.

**1922**

PRINTED IN INDIA.

*Price* 12*s.* 6*d. Net.*

GOVERNMENT OF INDIA.

# FINANCE DEPARTMENT.

---

# BUDGET FOR 1922-23.

---

## CONTENTS.

---


| | PAGE. |
|---|---|
| **Speech of the Hon'ble the Finance Member introducing the Budget for 1922-23 in the Indian Legislative Assembly on the 1st March 1922** | 1 |
| Introductory | 1 |
| The year 1921-22— | |
| Revenue and Expenditure of the year | 2 |
| Estimates of 1922-23— | |
| I.—Revenue | 4 |
| II.—Expenditure | 6 |
| Problem of how to meet the deficit | 7 |
| Proposals for additional taxation | 10 |
| Ways and Means | 13 |
| The finances of the provinces | 16 |
| Conclusion | 17 |
| **Budget of the Government of India, Part I—** | |
| **Accounts, 1920-21 (according to the new financial arrangements and classifications);** | |
| **Revised Estimates, 1921-22;** | |
| **Budget Estimates, 1922-23—** | |
| I.—General Statement of the Revenue and Expenditure charged to Revenue, of the Central Government, in India and in England | 20 |
| II.—General Statement of the Receipts and Disbursements of the Central Government, in India and in England | 22 |
| A.—Statement of the Revenue of the Central Government, in India and in England | 24 |
| B.—Statement of the Expenditure charged to the Revenues of the Central Government, in India and in England | 28 |
| C.—Statement of Receipts and Disbursements of the Central Government, in India and in England | 32 |
| D.—Abstract Statement of the Receipts and Disbursements of the Central Government, in India and in England | 36 |

PAGE.

**Budget of the Government of India, Part II—Accounts, 1920-21, according to the old classification of subjects and major heads—**

I.—General Statement of the Revenue and Expenditure charged to Revenue, of the Government of India, in India and in England . 38

A.—Statement of the Revenue of India, in India and in England . . 40

B.—Statement of the Expenditure charged to the Revenues of India, in India and in England . . . . . 41

C.—Statement of Revenue, Expenditure and Balances of Provincial Governments . . . . . 43

D.—Abstract Statement of the Net Revenue and Net Expenditure of the Government of India, in India and in England . . . 44

**The Finance Bill introduced in the Indian Legislative Assembly by the Hon'ble the Finance Member on the 1st March 1922** . . . . . **45**

**The Statement made by the Financial Secretary in laying the Budget before the Council of State on the 1st March 1922** . . . . . **62**

**General discussions on the Budget in the Indian Legislative Assembly on the 6th and 7th March 1922** . . **66**

**Discussions on the Budget in the Council of State on the 8th March 1922** . . . . . **164**

**Schedule of demands for grants for Expenditure of the Central Government for the year 1922-23 submitted for the vote of the Indian Legislative Assembly** . . . **212**

**Debates in the Indian Legislative Assembly on the voting of grants in their sittings of the 14th to 18th March 1922** . . . . . **213**

**Debates in the Indian Legislative Assembly on the Finance Bill in their sittings of the 20th to 22nd March 1922** . **466**

**The Finance Bill as passed by the Indian Legislative Assembly** . . . . . **620**

**Debates in the Council of State on the Indian Finance Bill in their sittings of the 23rd and 24th March 1922** . . **635**

**The Indian Finance Bill as passed by the Indian Legislature** **676**

**The Indian Finance Act, 1922 (Act XII of 1922)** . . . **692**

**Resolution No. 1083-F., dated the 7th April 1922,** publishing the **Budget statements as revised** since their presentation before the Indian Legislative Assembly and the Council of State . . . **707**

**Notes explaining the details under certain heads of the Estimates** . . . . . **727**

Appendix I . . . . . 773

Appendix II . . . . . 781

Schedule of demands for grants for expenditure of the Central Government as voted by the Legislative Assembly ... ... ... ... ... ... 460A.

# BUDGET FOR 1922-23.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.**

*Wednesday, 1st March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

**The Honourable Sir Malcolm Hailey (Finance Member):—** It was my duty last year to place before this Assembly a budget which exhibited a heavy deficit. I had to confront the House, at the very inception of its career, with one of the most difficult problems which can fall to the lot of a representative Assembly. The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution. But those of us to whom the success of the reformed constitution had become an article of faith had no apprehensions; and we were justified of our confidence. The House took up its burden in a spirit which in the common judgment of every serious critic at once sealed its position among the representative institutions of the world. It would have indeed been a welcome task if I could have come before you to-day with the confident assurance that your courage had met with the success it deserved; if we could have told you that the steps you took last year had rehabilitated our finances and closed the gap between the income and the expenditure of the nation. But Providence has seen otherwise, and this Assembly again has to face the heavy responsibility of dealing with a situation of great financial difficulty. It is no secret that the incomings of the current year have fallen far below our expectations; and as the House has probably already anticipated, the estimates for the coming year disclose a heavy excess of expenditure over revenue.

2. Let me from the first make one point clear. I shall have no such apologies to make—as may have to be offered by the Finance Ministers of other countries—regarding increase of expenditure due to causes which could be held to be within our own control or due to our own volition. You will not have cause to complain that we have, in circumstances of exceptional stringency, embarked on fresh avenues of expenditure, or engaged in enterprises which should have been deferred until our finances were in a position to afford them. The details I shall subsequently give you will make this abundantly clear. Our difficulties are due to a falling exchange, to the continued depression in world trade, to reduced returns from our commercial services and increased running expenditure incidental to their maintenance. I can claim—and the figures I present will justify my claim—that the most exacting control has been exercised in preventing any excess over our estimates of standing and established charges, and that every possible avenue of fresh expenditure has been stopped and barred. So much for economy; our critics will however probably go further and urge that in all the circumstances it was not enough merely to have stopped fresh expenditure; we should have entered on the more drastic field of retrenchment. I shall return to this subject again; as the House knows we fully admit the necessity of retrenchment; but I will only say here (and again without fear of challenge) that though retrenchment would improve our position, no measure that we could conceive or could hope to carry through could radically alter the situation in which we find ourselves. I have thought fit to make these points clear from the first. I have to put before the Assembly a position which is full of difficulties for us, for the House and for the country; but I can present it with all the greater confidence and with all the greater frankness, because I am convinced that every fact and figure which I present will only justify and confirm the points I have now made. It is a situation which we have to meet together; the House I know will meet it with that high sense

of responsibility with which it encountered the situation of last March ; we may differ in detail as to the exact method of dealing with it ; but neither as to the causes which have occasioned it, nor as to the main solution to be applied have I any apprehension of difference or dissent.

General characteristics of the year.

3. I come now to the details of our position, and will deal first with the general conditions which have falsified our estimates of revenue for the present year. What were the circumstances in which we budgeted last March ? The trade boom which followed the Armistice had definitely passed away and a heavy reaction had set in ; but the future outlook was obscure, and it was impossible to say what precise effect it would have on our revenues. We budgeted in an atmosphere of trade depression, and our estimates allowed for a definite retardation in the normal growth which our revenues might otherwise have been expected to exhibit. But it was not possible to foresee that the depression of trade would reach such abysmal depths, nor that its consequences would react so disastrously on our finances. I will take separately the internal and external factors. As to the former, the effects of the poor monsoon of 1920 continued to show themselves throughout the year 1921. Wheat rose to R6 a maund in January and to the almost unexampled figure of R8½ per maund in December ; Rangoon rice increased during the same period from R4 to R6½ a maund. Not only did we have to continue the embargo on the export of wheat, but India became a heavy importer. Labour trouble at the collieries curtailed the raising of coal ; we could only maintain the service of our railways by purchases of foreign coal at greatly increased expense and again of course with detrimental effect on our balance of trade. Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade. I shall not dwell again now on the unfortunate series of events which led to the locking up of many million pounds' worth of imported goods owing to the inability or the failure of importers to take up their contracts. But whether this was due entirely to economic or partly to political causes, the event was typical of much of the history of internal trade throughout the year. Not even an unusually favourable monsoon in the autumn of 1921 has succeeded in solving a position due to the interaction of these double influences. Such were the internal conditions ; I need not dwell at length on the external conditions. The prevailing depression in Russia and Central Europe, aggravated by famine conditions in the former country, continued to deprive India of the customers on whom in normal years she is wont to rely. How unstable was the basis on which our exports depended is shown by the history of our reviving trade with Germany. Exports to that country which averaged 1½ crores monthly during the period July-September collapsed with the catastrophic fall of the mark in October and had fallen in December to only half a crore. Our exports, which had reached their height with 31 crores in March 1920, had declined to 18 crores in March 1921 and reached their lowest point in June of last year with 16 crores. It is true that there was a recovery to 21 crores in December, but on the whole, greatly reduced as has been the scale of our imports, there is a total balance against us of 33 crores for the ten months ending January.

## REVENUE AND EXPENDITURE OF 1921-22.

Current year's Revenue.

4. Let me proceed at once to give in figures the total result of these unfavourable factors. The budget estimates as finally passed provided for a small surplus of 71 lakhs ; the revenue including new taxation being estimated at 1,28⅓ crores and the expenditure at just over 1,27⅔ crores. We now estimate that the revenue will be 1,08 crores or 20⅓ crores less. I will take only the principal items. Under *Customs* we expected 37¾ crores ; we do not now look to realize more than 33½, or a falling off of 4¼ crores. But for a heavy revival of the import of sugar in the autumn our total receipts would be even worse ; indeed sugar has come to our assistance to the extent of 6¾ crores out of the 33½. In *Taxes on income* we shall probably have to pay some heavy refunds, owing to adjustment of provisional assessments made on last year's profits, and taking receipts and refunds together, the income will fall short by 90 lakhs of the budget figure of 18½ crores. *Salt* will be short by 80 or 90 lakhs of the expected figure of 7 crores, mainly owing to our inability to maintain a full supply of Northern India salt. *Opium* will be short by 70 lakhs on the expected total of 3,73 lakhs ; clearly our customers in the Far East anticipate decreased consumption as the result of international

action. I come now to our commercial departments. Naturally enough our *Railways* reflect the great stagnation of trade throughout the year, and in addition, the returns of the last few weeks have shown the effect of the recent strike. We expected to get gross receipts of 87 crores and shall have to content ourselves with 83. But the mischief does not end here, for far worse than the decline in gross traffic receipts is the increase in working expenses. Owing to short raisings of coal we have had to pay more for the Indian article, and to supplement the home supply by heavy purchases from abroad, and altogether the total excess of working expenses over the budget figure will be 7¼ crores. Allowing further for some falling off in the receipts from the surtax, the total worseness on the railway budget will be no less than 13 crores; and railways, after payment of interest charges, will, for the first time for many years, be working at an actual loss, namely over 2½ crores. Finally, there are the *Posts and Telegraphs*. The gross revenue is about 1½ crores less than anticipated, of which about 35 lakhs occur in the yield from the new rates approved by the Assembly last year. Here again we have an instance of a large commercial department working at a deficit; the total loss to the general taxpayer on the combined department in the current year will be about 90 lakhs. The combined effect of these items is to produce the falling off of 20 crores to which I have alluded.

Current year's Expenditure.

5. Then as to expenditure. As I have said, we expected to spend 1,27½ crores. But we shall have to spend 2 crores more on account of the increase in *interest charges* due to the larger proceeds of the rupee loan realized by us this year and the increased borrowings undertaken in London. Under *military expenditure*, it will be remembered that we allowed for 62·20 crores of which 3 crores was attributable to Waziristan and one crore to expenditure on demobilization. During the year however operations in Waziristan continued, contrary to our expectations, on the extended scale set up in the concluding months of 1920-21, and altogether our expenditure on operations in that quarter have cost us 6¾ crores. I do not propose to analyse here in detail the remaining figures of military expenditure; they still contain abnormal features such as on the one side arrear claims from the War Office and on the other unexpected recoveries of arrears from the same source. There have also been very heavy increases in the cost of foodstuffs. It will be sufficient to say that on the whole, in spite of the increase due to this factor, and to the heavy excess on Waziristan operations, we have managed by careful control to keep the excess down to 2¾ crores. The total therefore stands at 65 crores against a budget of 62¼. No new permanent liability of any considerable amount has been added to the military charges in India with the exception of an enhanced scale of pensions for the families of Indian soldiers and the expansion of the Territorial force.

6. The increases in civil expenditure have been of minor importance and have for the most part been passed already by the Assembly in the form of supplementary grants. But there remains one head of great importance the *loss by exchange*. As I explained last year, the head is really one of adjustment. In the case of our commercial departments the difference in exchange between 2*s*. (the rate at which our accounts are kept) and the actual rate is adjusted under the departmental head concerned, and that accounts for a certain proportion of the excess expenditure under Railways and Posts and Telegraphs. In the case of all other departments this adjustment for exchange is lumped together under the one head Exchange. I need not perhaps go into the circumstances under which we assumed a rate of 1*s*. 8*d*. last year; it was an accounts assumption, not a prophecy; but I would remark here that in December 1920 (when of course our forecast was drawn up) the actual rate was between 1*s*. 7*d*. and 1*s*. 8*d*. We were twitted at the time with optimism; but I do not remember that our critics were then prepared to back any other figure with conviction. Exchange did indeed during September rise to 1*s*. 5¾*d*.; but it was followed by a rapid decline to below the 1*s*. 4*d*. level, in sympathy with the sudden fall of the German mark. For the rest, the summary which I have already given of our import and export trade is sufficient to indicate the immediate causes at any rate of the weakness of exchange; it only remains to add that the total cost to us under the head "Exchange" of its failure to reach the 1*s*. 8*d*. figure must be taken at 5¾ crores.

Deficit of current and previous years.

7. Altogether then our expenditure is somewhat over 14¼ crores more than we expected; and the total deficit will amount to no less than 34 crores. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19 it amounted to 6 crores; in 1919-20,

mainly due to the Afghan War, the deficit was 24 crores; our final accounts of 1920-21, swollen by many adjustments of arrear expenditure on the Afghan war and the Great war, showed a deficit of 26 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores. I am not ready to explain to the House the methods by which we have during the past four years provided the money necessary for carrying on the administration, nor to dwell on the implications, to be drawn from this continued succession of deficits. I have still to deal with the revenue and expenditure of the coming year.

## ESTIMATES OF 1922-23.

### I.—Revenue.

Outlook for next year.

8. I do not know if there is anyone here who would feel entitled to speak with confidence of the assumptions we should make in estimating for budget purposes the character of the year on which we are about to enter. For myself, I can only indicate the main factors which have guided us. We have had a favourable monsoon and good winter rains; this in itself should bring down the price of food grains and help to rectify the balance of trade. On the other hand, the bazaar trade still has before it all the difficulties involved in the liquidation of the import contracts entered into two years ago, and the spectre of unrest looms before the trader, paralysing industry and benumbing enterprize. As for the outside world, the relative strength of India's position is of course largely due to her share of the world's staple requirements. It is true that overseas stocks of Indian goods are still large, but they have been much reduced during the course of the past year, and foreign consumers have been forced to come to India to a considerable extent for their immediate necessities. Her raw jute and jute manufactures, though the period of boom has definitely passed, should still hold their own; tea and cotton have indeed recovered to an extent that we could hardly have anticipated last year. The total exports of India during December 1921 were higher than those of any month since September 1920. Although therefore stocks of India's commodities in India are high, the signs are not unfavourable. It is probable that the historian of the future, with a clearer perspective, will look on the year 1921 as the logical sequel to 1920. The latter year experienced the full force of the reaction from the feverish and unhealthy trade activity which followed the Armistice. This reaction showed itself in a collapse of the world's purchasing power, an unparalleled slump in prices and congestion of unsold and unsaleable stocks. In 1921 we had the beginning of the painful process of re-adjustment. We have already made some advance in that process, and the conditions of India are such that (if she can only maintain internal peace) she may reasonably expect to take an early share in the revival of trade.

Estimates of revenue for next year.

9. I admit that the factors are obscure in many directions of great importance and they certainly do not encourage optimism. But on the whole we seem justified in framing our budget estimates on the assumption that there will be some slight improvement over the trade conditions which have existed during the current year. I will take the main heads in detail. Under *Customs* we assume that the imports of piecegoods will be somewhat better than those of the current year, and also that, as a result of the withdrawal of the restrictions on the export of Burma rice, the revenue from that export duty will now become normal. We have also assumed a moderate improvement in the exports of jute; on the other hand, we cannot expect that the imports of sugar will be on any thing like the scale of the current year, though we have felt justified in taking an estimate of $4\frac{1}{4}$ crores as against the $6\frac{3}{4}$ crores likely to be received from that source this year. On the whole, we are assuming a net Customs revenue of 36·42 crores, nearly 3 crores in excess of the revenue which we are likely to collect in the current year. Then as regards *Taxes on Income*, we expect an increase in the net demand in most provinces with the exception of Bengal, but on the other hand the figures of the present year have been swollen by large arrear collections, and in the net, allowing for refunds in respect of collections on provisional assessments, we are assuming a total revenue of 19·87 crores, which is about a crore less than our probable revenue in the current year. Under *Salt* we have adopted an estimate of slightly over 7 crores, practically the same as that of the current year's budget. Our receipts from the sale of *Opium* are now mainly derived from the direct

supplies we make to foreign and Colonial Governments on the contracts now in force, and, except when new contracts are entered into, do not vary very much from year to year; our revenue from the auction sales is, however, steadily dwindling and we do not expect more than half a crore from this source, making a total revenue, inclusive of the revenue from excise opium, of approximately 3 crores. This is about 60 lakhs less than the current year's budget and about the same as the revenue we expect to get in the current year.

Railway revenue.

10. In attempting to frame an estimate of net receipts from *railways* we are met with two difficulties. In the first place it is difficult to say what will be the exact yield from the new goods rates which will be brought into force from April the 1st next, replacing the present surtax. It is also difficult to say what the working expenses will amount to, as the coal market is in an abnormal state and a substantial increase or decrease in the cost of fuel will vitally affect the total. For *gross traffic receipts* we assume that the new goods rates will not yield less than 6 crores, and we think that an allowance of between 4 and 5 crores for normal growth in revenue is as much as can be justified. We think therefore that a fair estimate of gross receipts next year will be 93½ crores. For *working expenses* we have taken the high figure of 68½ crores on the assumption that fuel charges will remain high, and after making as much provision as possible for the replacements and renewals which, as everyone knows, are so badly needed on all our railways. On these estimates, the *net receipts* next year will work out to 24½ crores; after allowing for interest and other indirect charges which will amount to 26 crores, the railways will be working at a loss of over 1 crore. This is not the proper occasion for me to embark upon any discussion of the question how far the administration of our railways should, in any particular year, be carried on with the object of producing a profit to the general taxpayer. It is a matter regarding which one side of the question, and one side only, has been put forward with considerable force in the report of Sir William Acworth's Committee. The House is aware that the proposal made by that Committee to effect a complete separation between the railway and the general budget was duly considered by a committee composed of members of the two Houses of the Legislature, whose report was published last December. That committee decided that, whatever might be the theoretical merits of this question, practical considerations alone made it impossible to effect any such separation for the present. On one point, however, there can, I imagine, be no room for diversity of opinion, namely that the railways must pay their own way For this reason we propose to take measures to increase the traffic receipts The estimates which I have just given already take account of a substantial increase in goods rates in substitution of the existing surtax. The only remaining course therefore is to effect a material increase in passenger fares. An increase averaging about 25 per cent. will, we estimate, produce an extra 6 crores of revenue. This will of course more than make up the estimated loss on next year's working, but we shall have to continue for many years heavy expenditure, debitable to the revenue account, on replacements and renewals, while our enlarged programme of capital expenditure will involve a cumulative increase of interest charges for some years to come; we therefore consider that we are justified in providing for some margin.

Contemplated increase in passenger fares.

11. The remaining important head on the revenue side is *Posts and Telegraphs.* I must first of all explain what we have done as regards the separation of capital expenditure from expenditure charged to revenue. The House will remember that this question was examined last March on the initiative of Mr. Samarth, when it was decided to transfer approximately 1 crore from revenue to capital as representing expenditure which was intrinsically of a capital nature. That transfer was made more or less summarily; it was obviously desirable to keep on the right side, and not to debit to loan funds expenditure which was really of the nature of running expenses and would only have to be written back to revenue. We have subsequently made a more careful examination of the various items of expenditure, and as a result we have felt justified, in the revised estimates for the current year, in debiting to capital a total amount of 1,28 lakhs. For the ensuing year, of the total estimated expenditure of 11¼ crores we find that we can justifiably take 1,45 lakhs to capital provisionally, pending of course the reconstitution of the post and telegraph accounts as a result of the investigation which has just been completed by the expert accountants who have been engaged on that work. With this division as between capital and revenue, we estimate that the expenditure chargeable to the revenue account next year will exceed the receipts by

Loss on the postal department.

about 96 lakhs, after allowing for the debit of interest on the capital charge. This figure, however, does not include the cost of pensions on the one hand, and on the other credits for certain concessional services rendered by the department to Indian States or foreign Governments. If we make adjustments on account of these items, there will be a further credit due to the department of about 17 lakhs, and, allowing for this, it may be said that during the current year the department has been working at a loss of about 90 lakhs, and that next year it will be working at a loss of about 80 lakhs. This has a very definite bearing on certain proposals that I shall shortly mention.

Actual revenue expected.

12. This closes my review of revenue for the coming year. Including the increase on passenger rates, it should amount to 1,16½ crores; without that increase, it would come to 1,10½ crores as against a revised estimate of 1,08 crores for the current year. I come now to the expenditure side.

## II.—Expenditure.

Ban on new expenditure.

13. The first point I have to emphasise is that, as was the case a year ago, the demands of the various departments for the inclusion of items of new expenditure have been enormously curtailed; in effect, we have made provision for no new expenditure which cannot be demonstrated to be of imperative necessity or likely to be immediately remunerative. Such items of new expenditure as have passed through the meshes of the Finance Department's net have further had to undergo the fire of the Standing Finance Committee's scrutiny before being embodied in the detailed estimates which are about to be placed in Hon'ble Members' hands. One head where the effect of this policy has been particularly marked is *Civil works*. The figure entered is 166 lakhs, and I must point out that this is only just sufficient to cover maintenance, repairs and establishment charges and the carrying on of works already in progress, and that it makes practically no provision at all for new construction. I do not think I need refer to the details of the estimates entered for *interest on debt*, *sinking funds*, and so forth, for such charges may be regarded as obligatory. Hon'ble Members will notice in the detailed estimates a special expenditure of 60 lakhs under *political charges;* this is a tentative provision for a scheme for the better solution of political troubles on the frontier. It has not yet crystallised into a form which admits of the exhibition of full details. For the rest, the variations in civil expenditure are not large. There will be a saving from the cessation of *census operations*, counterbalanced by certain additions to *income-tax* establishments, and a provision of 16 lakhs for various schemes of improvement at the *salt* sources in Northern India which are of imperative necessity for the safeguarding of our salt revenue. Apart from the extra political charges and the other variations which I have just referred to, the civil heads show a small increase on the probable expenditure in the current year.

Estimated rate of exchange for next year.

14. As regards *exchange*, I may say at once that I see no indications, in the present conditions and outlook of our foreign trade, which would justify our assuming an average rate of exchange higher than 1*s.* 4*d.* during next year, and accordingly that is the figure upon which these estimates are based. In mentioning that estimated average rate I must again impress on the House that I am attempting no sort of prophecy regarding the future course of exchange, nor should anything that I say be taken as an indication of policy. It is of course unavoidable, for the purpose of the budget programme, to make some sort of assumption, however rough, as to the level at which exchange is likely to stand, taking the coming year as a whole. I have, as I have said, assumed for budget purposes a rate of 1*s.* 4*d.* The debit that will be necessary in our accounts, which are still maintained on a 2*s.* basis, will on this assumption be about 15½ crores, of which 10 crores will appear under the head "Exchange", the remaining 5½ crores being debited in the estimates of the commercial departments.

No provision for reduction of provincial contributions.

15. Finally, before I come to the military estimates, I must point out that we have made no provision for any reduction in the present contributions payable to us by the Provincial Governments, the amount of which, after allowing for the waiving of the Bengal contribution, is 9,20 lakhs. The House is aware that several provinces, notably, Madras, the United Provinces and the Punjab, have pressed us strongly for some reduction next year in the amount of their contributions. It is also a

matter of common knowledge that many of the provinces are finding it difficult, if not impossible, to cover their expenditure, and have had to ask their legislatures to sanction various schemes of new taxation in order to help balance their budgets. I shall have something more to say regarding the position of the provinces before I sit down. For the present, I will only say that we have not provided for any reduction for the simple reason that, with the certainty of a deficit staring us in the face, it was quite impracticable to do so. But I need hardly say that the progressive reduction and extinction of these contributions must be regarded as a first charge upon any betterness that the financial position of the Central Government may show in future years.

16. I now take the final and heaviest figure, namely, Military expenditure. The established charges we estimate at 59·70 crores against 58·20 in the current year's Budget, Waziristan charges at 2·13 against 3·00, and demobilization expenditure at ·35 against 1·00; the total is therefore 62·18 crores or approximately the same as in the Budget for the current year. The increase in established charges does not represent any addition to the strength of the post-war Army as already laid down, except in the case of the Territorial Force, and is largely due to an item which lies entirely outside our own control, namely, the great increase in prices of provisions and other consumable stores. These are estimated to cost nearly 2 crores more than in the current year. Apart from the outlay necessary for the expansion of the Territorial Force and from a relatively small sum of money for the revision of the pay of certain classes of Indian personnel in Army services whose remuneration has not yet been brought up to the standard obtaining in other quarters, no new demands for military outlay have been admitted. Not only so, but it would have been impossible to keep the established charges down to the figure I have given had we not effected retrenchment in a number of directions, notably in Military Works, the purchase of new equipment, and the strength of the reserve, and further by taking credit for an anticipated shortage of British troops. As regards Waziristan, I fear that the figure can be regarded as tentative only, for it is always difficult to forecast the exact effect of military operations of this nature. These operations may as in the present year lead again to an excess in the military budget. The 35 lakhs on demobilization expenditure represents the sum which the Secretary of State has estimated will be required in 1922-23 for the payment of India's share of the compensatory gratuities to officers of the Indian Army who have been found surplus to strength owing to reduction of establishment. Military expenditure.

17. The net result of these figures is that we expect an expenditure of 1,42¼ crores against a revenue, on the basis of existing taxation and including the provincial contributions of 9,20 lakhs, which will amount to 1,10½ crores, *i.e.*, a deficit of 31¾ crores, which would be reduced to 25¾ crores by the contemplated increase in passenger fares mentioned by me. Resultant deficit.

## Problem of how to meet the deficit.

18. I now come to the hardest part of my task to-day, namely, to discuss what measures should be taken to meet the grave problem presented by an estimated deficit next year of about 31¾ crores. It is obvious that there are, in theory, three courses which can be adopted, either separately or in combination. First, we can budget for a deficit, either the whole or part of the above amount; second, we can attempt to reduce our expenditure; and third, we can take steps to increase our revenues. The problem is so grave, and the issue at stake so large, being nothing less than the solvency of the country, that I make no apology for examining in some detail each of these three courses. Three possible courses.

Would it be desirable, or would it even be possible, to leave the whole or the major part of this deficit uncovered? Now, so far as I have been able to ascertain, on one occasion only in the past has the Government of this country deliberately budgeted for a deficit. This was in 1915-16, the first budget of the war, when Sir William Meyer budgeted for a deficit of about 4 crores. In introducing that budget, Sir William Meyer carefully explained the reasons which had led him to adopt that course. He emphasised that the Government would not think of proposing to budget for a deficit if the deficiency in revenue promised to be of a more or less abiding (1) Budgeting for a deficit.

character. That, however, he held, was not the case on that occasion; it was then too early in the war to be sure that the excess of expenditure over revenue was anything more than temporary, and unless and until it could be shown that the gap between revenue and expenditure was likely to last for some time, it would not be justifiable to impose increased taxation, especially as the Government's cash balances could at that time be relied on to produce the necessary finance. For the rest, so far as my researches go, the Government of India have always endeavoured to meet the expenditure of each year from the revenues of that year, and although on occasions their estimates have been disturbed and deficits have actually accrued, they have, except on the one occasion mentioned above, never deliberately contemplated that their expenditure should exceed their revenues. I do not think that there can be any doubt that this policy, consistently followed in good years and bad, when the outlook was fair and when it was gloomy, had much to do with the sound financial position in which India found herself at the beginning of the war, and with the excellence of the credit of the State both within the country and abroad.

Deficit not temporary.

19. Now, in considering the extent, if any, to which we should be justified in leaving this estimated deficit uncovered, there are two points of vital importance to which I must invite the careful attention of the House. In the first place, it is necessary to examine briefly the real nature of the current and next year's deficits. Can it be said that the present emergency is similar to that which Sir William Meyer had to face in preparing his budget for 1915-16? I hold that the answer to this must be in the negative. I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained within a measurable period. In saying this I do not mean to imply that either the probable deficit of 34 crores in the current year or the estimated deficit of $31\frac{3}{4}$ crores next year is necessarily to be taken as a measure of the permanent gap between our expenditure and our revenues. I assume that, with the liquidation of our frontier commitments, that portion of our military charges which are classified as "abnormal" will disappear. I also assume that our revenues would respond to any substantial revival in trade, when the day of that revival dawns, as assuredly dawn it must. But after making every possible assumption of this nature, I do not think it can be said that, if things are left as they are, equilibrium will be attainable within a measurable time. It has, moreover, to be remembered that we have a certain loss of revenue in front of us, in respect of the gradual abolition of the provincial contributions. I have not overlooked the fact that the stabilisation of the rupee at 2*s.* would relieve our revenues to the extent of about 15 crores a year, but the House is in as good a position as I am to judge whether we should be justified in placing any reliance on this consummation. The problem, as I fear we must envisage it, is thus not one of carrying on until we have turned the corner, for the turning is nowhere visible.

How the deficits have been financed.

20. Secondly, it is necessary to examine briefly what a succession of deficits really means, and what are the results which it leads to. I will not embark on any theoretical discussion of financial ethics, but confine myself to actual facts. Including the deficit of the current year, during the past four years our expenditure (in using the word 'expenditure' I mean of course expenditure debitable to revenue, and not capital expenditure on such objects as Railways and Irrigation) has exceeded our revenue by a total amount of 90 crores. Where did this money come from? The short answer is that we have been living on credit. About 37 crores have been obtained by the issue of fiduciary currency notes, namely, notes the only backing of which are our own I.O.U's. A further 47 crores will have been found by incurring floating debt in the shape of treasury bills, while the remaining 6 crores will have been taken from the proceeds of our regular annual borrowings. Our Treasury bills consist of short term bills (mostly for 3, 6 or 9 months) which we have so far managed to renew on maturity. But it is an open fact we have only succeeded in doing this by virtue of the recent stagnation of trade and consequent plethora of bank money; it is very doubtful if on any real revival of trade we should be able to keep "floating" an amount of treasury bills on anything like the present scale. A treasury bill outstanding in the neighbourhood of 60, or even of 40, crores is, as I have more than once pointed out, a matter for great anxiety, seeing that at

any time, with the appearance of other demands upon the discount market, such as a revival of trade or an acute monetary position, our sales might not cover our maturities and we should then have no alternative, if we were not to dishonour our bills, but to make a further large fiduciary issue of currency notes. During the past month or two we have, in fact, had a preliminary warning as to the insecurity of our position; a sudden tightening of money in Bombay led for a time to distinct embarrassment; in spite of our giving very much more favourable terms for our treasury bills we found great difficulty in meeting our requirements and were obliged as a temporary measure to re-issue a substantial amount of currency notes which we had cancelled during the preceding months. And of course the dependence of Government upon the money market, to supply it on credit with funds to meet the gap between incomings and outgoings, itself reacts strongly upon the supply of money available for trade, thus setting up a vicious circle. To escape from that circle is one of the most pressing problems before us.

21. What then is the inevitable conclusion to which these considerations lead? Putting aside all theoretical considerations of principle and of sound financial policy, the financing of a further deficit next year of an amount anything like the $31\frac{3}{4}$ crores estimated is simply not a practicable proposition. I should be much mistaken if we have not already reached the limit of safety. To attempt to increase our floating debt beyond the figure at which it is likely to stand on April 1st next would be to invite not only grave monetary stringency, but possibly even a severe crisis. To raid the Gold Standard Reserve, which has been built up for an entirely different purpose, would be merely putting off the evil day, and would be an expedient which could be adopted only as a last resort and even then purely as a temporary measure. To rely on the proceeds of our annual rupee or sterling loans to finance our deficits would, as I shall show later in my speech, be equally impracticable, seeing that we shall fully need the whole of these for financing our existing capital liabilities and productive expenditure on our railways. The inevitable result, in short, of any attempt to finance a deficit of this size would, in my opinion, be to force us to large issues of unbacked currency notes, and I am sure the House will agree with me that the effect of such inflation upon the general level of prices in this country, and upon our general credit, would be very serious. My conclusion then is, and I state it with perfect confidence, that the problem before us is one that cannot be shelved or left to look after itself. It is a problem which has to be faced, and it is my duty to ask this House and the country, whatever their opinion may be of the particular proposals that we are making, to join with us in facing it.

Not practicable to continue financing deficits on the present scale.

22. How far can we reduce the deficit by cutting down our expenditure? I have already indicated the difficulties which we have encountered in regard to our largest spending department, the army. I have told the House that as regards the civil departments we have cut out all new expenditure which cannot be proved to be of imperative necessity. I do not claim that further reductions are impossible; as the House knows, we are committed to an enquiry into the steps necessary to effect retrenchment, even if that results in curtailing departmental activities. We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment, and an announcement will shortly be made on the subject. But the field of civil expenditure over which that enquiry can range is small; it does not extend to more than 20 crores; and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance. In any case a Finance Member must frame his budget not on what he hopes may be effected in the future, but on the basis of the expenditure now actually being incurred.

(2) Reduction in expenditure.

23. I have sometimes heard it asked why we cannot simplify to some extent our financial problem by taking to capital certain of the expenditure which is at present debitable to revenue. Why, it is urged, should the present generation have to pay for expenditure on public works or other objects, which have a permanent or semi-permanent life, such as civil buildings, roads and bridges on the frontier, new barracks, etc., or, again, on stores and material used in our commercial departments, such as the Posts and Telegraphs? This contention is to a large extent met by the facts that the present estimates make practically no provision at all for new civil buildings, that the construction of Delhi and capital expenditure on railways are already met from capital funds, and that we are already providing for the debit to loan funds of expenditure on stores and material for our Telegraphs. It is, however, quite unnecessary to discuss this question at any length, for, in point of fact, whatever may be the

Possibility of transferring expenditure from revenue to capital.

division in our accounts as between capital and revenue, we are unfortunately already meeting a large proportion of our annual expenditure from borrowed funds. The figures which I have already given show that we have been doing this on a very large scale, far in excess of what by any stretch of reasoning could be described as real capital expenditure. To reduce our revenue deficit by a mere stroke of the pen would not in any way affect or cover up the actual position.

24. If I have carried the House with me so far, I have established two propositions. The first is a two-fold one, namely, that the country cannot, if it has any regard for its credit or any thought for its future solvency, take refuge in the simple course of leaving the whole or even the greater part of this deficit uncovered, and further, that, quite apart from such considerations, it would not be a practicable proposition to do so, even if we tried. Secondly, however successful our efforts may be in reducing our expenditure, and imperative though it is that we should make the attempt, it is out of the question to expect any relief from this source to be on such a substantial scale as materially to reduce the excess of expenditure over revenues. I submit therefore that there is no escape from the conclusion that it is imperative to take every possible step to increase our revenues. We can do this in two ways: firstly, by ensuring that our commercial departments shall at any rate not be a burden upon the taxpayer, and shall if possible yield a profit; secondly, by increasing taxation. As regards the first method, I have already indicated that we propose to increase the railway receipts to the extent of about 6 crores by an increase in passenger fares. There remains the Post and Telegraph department. It is not possible to increase the telegraph charges, which are already on the high side, and indeed that branch of the department more than pays its way. We are, however, as I have already shown, losing heavily on the combined Post and Telegraph Department. Last year we invited the legislature to agree to certain measures for increasing our postal receipts. The most important of these, namely, the doubling of the postcard rate and the raising of the minimum charge for inland letters from half an anna to one anna, were not accepted. The increases agreed to were by comparison of minor value, and are only expected to produce 35 lakhs in the current year. Hon'ble Members will recollect the circumstances which led, by a compromise, to the adoption of a nine pie rate for letters exceeding half a tola in weight. I understand that the increased revenue from this source has been very small, not more than 10 lakhs; it has also led to many administrative difficulties in the matter of weighing letters and collecting over-charges, so much so that I am told that the collection of over-charges is not worth the revenue obtained, and altogether the inconvenience that has been caused to the public has not been commensurate with the gain to the exchequer. We shall now ask the legislature to reconsider the position which it took up last year. I admit now, as I admitted then, the enormous advantage to a country of a cheap postal service nor do I underestimate in any way the strong sentimental attachment that must exist to the pice postcard. My reply to such considerations, now as then, is financial necessity; with the enormous increase in the cost of working that has occurred in recent years the country cannot afford to maintain a postal service at the present cheap rates. We propose therefore to raise to half an anna the quarter anna postcard, and, secondly, to abolish the half anna and 9 pie rates for letters, making the charges in future one anna for letters not exceeding $2\frac{1}{2}$ tolas in weight, and one anna for every additional $2\frac{1}{2}$ tolas. We estimate that the increased revenue obtainable from these measures will be 1,60 lakhs. I may point out that, even after these changes, we shall still on the whole have the cheapest postal service in the world.

(3) Increase of revenue.

Necessity for increasing postal rates.

These two measures, namely, the increase in railway passenger fares and the increase in postal rates, will represent a total increased revenue of 7,60 lakhs, reducing our estimated deficit from 31 crores 76 lakhs to 24 crores 16 lakhs. I now turn to the further measures which we consider that the financial position of the country renders imperative.

## Proposals for additional taxation.

25. The problem of how to raise a large amount of additional revenue through increased taxation, with the minimum of hardship to the taxpayer and the minimum of disturbance to trade and commerce has, I need hardly say, been the subject of anxious consideration for some time. The burden which the country is now invited to shoulder is a heavy one; we have done our best to distribute it as equitably

as possible and to see that all classes of the community shall contribute, each according to its capacity. When additional revenues are required, the first head to which one's thought naturally turns is Customs. Here, we are at once confronted with the fact that a Fiscal Commission is now sitting, and if the needs of our revenues were not so urgent, we should have preferred to await the conclusion of that Commission's deliberations before proposing any further alteration of the tariff. Any such postponement is, however, impossible. Whatever opinions may be held on the various important issues that the Fiscal Commission is now considering, and whatever decision may be ultimately arrived at on its report, there is no escaping the conclusion that the pressure of financial necessity must in any case inevitably involve the raising of our customs duties, purely for revenue producing purposes, irrespective of what the effect may be in the case of any particular tariff head in the direction of protection, Imperial preference, or free trade. In framing our proposals, we have, however, endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties; in other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.

Customs.

No pre-judging of Fiscal Commission's Report.

26. (*i*) The vast majority of customs duties necessarily fall upon the consumer, and the general character of the proposals which I am about to mention is, therefore, that of a tax on consumption. We propose to raise to 15 per cent. the import duty on all articles now assessed to 11 per cent. But since one of the most important articles, both of import and of consumption, is piecegoods, we propose that the consumption of piecegoods in this country should be taxed by a further 4 per cent.; that is to say we would raise the cotton excise duty from 3½ to 7½ per cent., The combined effect of these two measures is estimated to bring in an increased revenue of 5,45 lakhs. We have not, of course, overlooked the contentious history of the cotton excise duty, but after the account that I have given this morning of our financial necessities, and after what I have just said regarding the raising of the general *ad valorem* duty, I do not think that even the most malignant of our critics can accuse us of raising the cotton excise duty for the purpose of counterbalancing the import duty on foreign manufactures.

Details of customs proposals.

(*ii*) The present import duty on machinery, iron and steel, and railway material, is only 2½ per cent. We propose to raise this to 10 per cent., yielding an extra revenue of 4,05 lakhs.

(*iii*) We consider that the trade in foreign sugar can, and should, bear an increase of duty, and we propose to raise the present import duty from 15 to 25 per cent., yielding an extra revenue of 2 crores.

(*iv*) We propose to raise the specific duty of 12 annas per gross boxes of matches to Rl-8 per gross boxes, yielding an estimated additional revenue of 95 lakhs.

(*v*) We propose to impose an excise duty of 1 anna per gallon on kerosene produced in India, with a corresponding increase in the duty on imported petroleum, namely, from 1½ annas to 2½ annas per gallon, the extra revenue from which measures will be 90 lakhs.

(*vi*) Last March we joined many Hon'ble Members in resisting in this House a proposal to remove yarn from the free list. We feel that the arguments then used must now yield to our financial necessities, and we propose to ask the House to agree to an import duty of 5 per cent. on imported yarn, yielding a revenue of half a crore.

(*vii*) The imports of articles which are assessed at the highest rate of tariff, namely, 20 per cent., have, during the greater part of this year, been very disappointing. I do not think, however, that this decrease can fairly be attributed to the new duty imposed last March, but rather to the very excessive imports, and consequent over-stocking, of the previous year. More recently, the imports of these articles have sensibly increased. We consider that the rate of duty can now be increased from 20 to 30 per cent., yielding an extra revenue of 75 lakhs.

(*viii*) As regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would almost certainly result in an actual loss of revenue, but as regards ale and beer, liqueurs and spirits, although we should have preferred to have waited another year before raising the duties further, we cannot

afford to neglect any possible increase of revenue in the coming year, however small. Moreover, when we are proposing heavy additional taxation, affecting many necessaries of life, we think it is all the more imperative to take from alcohol the maximum revenue possible. We accordingly propose an increase of approximately 20 per cent. in the duties on all alcoholic liquors, except wines, yielding an extra revenue of 30 lakhs.

The actual increases proposed are as follows :—

| | Present rate of duty. | Proposed rate. |
|---|---|---|
| Ale, beer, porter, cider and other fermented liquors, per gallon. | 6½ annas. | 8 annas. |
| Perfumed spirits, per gallon . . . | Rs. 30 0 0 | Rs. 36 0 0 |
| Liqueurs, untested, per gallon . . . | Rs. 25 0 0 | Rs. 30 0 0 |
| Liqueurs, tested, per proof gallon . . | Rs. 18 12 0 | Rs. 21 14 0 |
| All other spirits, per proof gallon . . | Rs. 18 12 0 | Rs. 21 14 0 |

No change is proposed in the duty on denatured spirits.

As regards tobacco, we do not think that for the present, having regard to the great decrease in consumption, any further increase in duty is possible without actual detriment to the revenue.

The total increased revenue obtainable next year from the increases in customs, which I have now mentioned, is estimated at 14,90 lakhs. Full details will be found in the Schedule to the Finance Bill which I shall ask your permission, Sir, to introduce this morning. The extra revenue during the current month is likely to be 80 lakhs.

Income-tax and super-tax.

27. These measures will still leave an uncovered deficit of about 9¼ crores. We feel it necessary to make a further call on the payers of income-tax and super-tax. We do not propose, however, to effect any alteration in the rate of tax payable by persons whose incomes do not exceed ₹30,000 a year. Indeed an increase in those rates, even by a substantial amount, would not be likely to produce any large increase in revenue, seeing that most of our income-tax revenue comes from assessments made at the highest rate. We propose to raise the rate on incomes between ₹30,000 and ₹40,000 from 14 to 15 pies, and on incomes above ₹40,000 from 16 to 18 pies. As regards super-tax, we propose to re-grade the higher rates, working up in the manner shown in the Schedule to the Finance Bill to the highest rate of 6 annas as against the existing highest rate of 4 annas. The combined effect of these two measures is estimated to produce an extra revenue of 2¼ crores.

Salt.

28. Finally, we consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our ultimate reserve. We propose to increase the duty from ₹1-4 to ₹2-8 a maund. The present consumption of salt in India works out at about 6 seers per head of population. The increase of ₹1-4 per maund will, therefore, represent 3 annas per head per annum, or, let us say, 12 annas per annum for each household of four. It cannot surely be maintained that this will be felt appreciably by even the poorest classes. The extra revenue is estimated at 5 crores a year, but in the first year, owing to the existence of the credit system of sales, is not likely to exceed 4,30 lakhs. As in the case of the increased Customs duties the increase in the salt duty will come into force from to-day, and the extra revenue in the current month is estimated at 20 lakhs.

29. The total extra revenue obtainable from the measures which I have mentioned to-day is estimated at slightly over 29 crores next year and at 1 crore in the current year. The uncovered deficit will therefore be 2¾ crores, together with the indeterminate liability to which I have already alluded in regard to Waziristan. Financial considerations by themselves would involve the imposition of a further taxation of at least 3 crores in order that we might fully establish equilibrium. After very careful consideration, however, we do not feel justified in asking the legislature to agree to the imposition of additional taxation beyond that which I have already mentioned. But the existence of any uncovered deficit is in present circumstances, a matter for anxiety; and we can only hope that by a combination of strict economy in every direction, together with an expansion of our revenues by a steady revival in trade, we shall before long arrive at a position of equilibrium, for I must warn the House that unless equilibrium between revenue and expenditure is arrived at in the near future, the financial position and credit of this country will inevitably suffer a rapid deterioration.

## WAYS AND MEANS.

30. I have had a good deal to say to the House this morning regarding the state of the ordinary revenues of the country and the expenditure which is debitable to our revenue account. I must now turn to that part of our financial administration generally known as "Ways and Means." I know that some people are inclined to fight a little shy of ways and means matters because of the technicalities which are inseparable from the subject. But on this occasion I must invite Hon'ble Members to give their particular attention to the main facts regarding our ways and means operations in the current and coming years, for there is this year more than the usual connection between our revenue and our ways and means accounts. In the days of many of my more fortunate predecessors the existence of substantial revenue surpluses was frequently relied on to supply funds for financing our capital liabilities. There was much to be said for that cautious and conservative policy, which aimed at limiting strictly the amount of our borrowing and thus undoubtedly helped to place India's financial credit in the high position which it occupied. There was however something to be said on the other side, and there must be many here who remember Mr. Gokhale's trenchant criticisms of continued large surpluses which should, he contended, have been devoted primarily to the relief of taxation. During more recent years, however, we have unfortunately seen the other side of the picture, and I have already portrayed something of the difficulties which my Department has encountered in finding the actual cash to finance a series of revenue deficits. Indeed, it is because we are now obviously approaching the end of our resources as regards financing deficits that we have felt obliged, quite apart from all other considerations, to ask the House to agree to drastic measures in order to attempt to bridge the gulf between our revenue and our expenditure. I have shown that during the past four years we have had to find resources amounting to no less than 90 crores in respect of revenue deficits, including no less than 34 crores in the current year. In speaking of next year's deficit I have already emphasised the grave dangers involved by our attempting to continue to live on our credit in order to meet current expenditure. The facts and figures which I shall now give the House will show how this liability has handicapped us in our ways and means operations, has forced us to borrow large sums at high rates of interest, and has prevented us from reducing the dangerously high amount of our floating debt.

Effect on Ways and Means of revenue deficits.

31. I will first give the House a brief description of the other capital liabilities, besides this deficit, that we have had to meet, and of those which we expect to have to finance during the coming year.

Summary of operations in current and next year.

[In crores of Rs.]

| | 1921-22. | Budget for 1922-23. |
|---|---|---|
| *Liabilities.* | | |
| (*i*) Drawings of and loans to Provincial Governments | 12·2 | 9·8 |
| (*ii*) Railway capital outlay | 23·0 | 30·0 |
| (*iii*) Delhi and Telegraph capital outlay | 2·7 | 3·5 |
| (*iv*) Discharge of debt | 19·2 | 7·9 |
| (*v*) Revenue deficit | 33·0 | 2·7 |
| (*vi*) Net discharge of Treasury bills issued to the public | ... | 4·0 |
| | 90·1 | 57·9 |
| *Met as follows :—* | | |
| (*a*) Rupee loan | 49·2 | 25·0 |
| (*b*) Sterling loan (converted at 1*s.* 4*d.*) | 23·0 | 26·4 |
| (*c*) Increase in Treasury bills issued to the public | 2·8 | ... |
| (*d*) Credits from exchange | 5·7 | 1·7 |
| (*e*) Arrear recoveries from Mesopotamian Government | 8·0 | ... |
| (*f*) Reduction of cash balances | 2·1 | 1·1 |
| (*g*) Net receipts from Savings Bank deposits and Cash Certificates | 2·3 | 3·1 |
| (*h*) Other items | —3·0 | ·6 |
| | 90·1 | 57·9 |

Current year.

32. This shows we have had to meet liabilities of 90 crores in the current year, and that more than one-third thereof has been due to the revenue deficit. The Provincial Governments too have had their difficulties and have had to rely to a large extent (no less than 12¼ crores) on us to finance their deficits and capital expenditure, either by actually borrowing from us or by drawing on what is left of their balances with the Central Government. Altogether then, the financing of deficits, Central and Provincial combined, will account for over 45 crores, or more than half the total capital liabilities of the year. For the rest, 19¼ crores is represented by the discharge of our War Bonds, and the remainder by capital outlay on Railways, Delhi, and Telegraphs. In order to meet these large liabilities we have had, in the first place, sundry assets and receipts, amounting to 15 crores, which I need not specify individually. To meet the remainder we have had to raise rupee and sterling loans to an extent considerably greater than we had budgeted for. It will be seen that in India and London combined we have raised no less than 72¼ crores of rupees in new loans. That of course is a very large sum to raise, and we have only been able to do so partly because of the stagnation of trade in this country, which made Government securities almost the only available means of investment, and partly because of distinctly favourable conditions in the London money market. Finally, as a result of our heavy liabilities to finance deficits, we have been quite unable to effect any reduction in our floating debt; on the contrary, there will, we anticipate, be an increase of about 2¾ crores in the amount of treasury bills outstanding with the public at the end of the year.

Next year's liabilities.

33. As regards next year, we hope that if the House will second our efforts to increase our ordinary revenues we shall not have such a large sum to find in order to finance revenue deficits, though, apart from the Central Government's deficit of 2¾ crores, we have been warned that we may have to find nearly 10 crores, in the shape either of advances to Provincial Governments to enable them to carry on, or of drawings on their balances by such Provinces as will have any balances left. We have to find nearly 8 crores for the repayment of 1922 War Bonds, some 1½ crores in respect of capital outlay on the Telegraph Department and 2 crores for expenditure on the new capital at Delhi, for this House has already decided that, if only in the interests of economy, it is desirable that this work should be completed as soon as possible, and 2 crores is the total amount which the engineers expect to be able to spend in the year. We are also budgeting for a reduction of 4 crores in the outstandings of treasury bills with the public; I have already said sufficient on this matter to indicate the imperative necessity of our not allowing our floating debt to remain at the present dangerously high level. There remains only the provision of 30 crores for capital expenditure on Railways, as against 23 crores that we expect to spend in the current year. My Hon'ble Colleague in charge of the Railway Department will, I understand, bring before the House in the current session the recommendations made by the Committee of the two Houses of the Legislature which met in December last to consider the question of our Railway capital programme. I will not anticipate here the discussion which will no doubt then take place. All I will say is that, great as are the liabilities thrown upon our ways and means resources in other directions, it would in my opinion be a short-sighted policy, and detrimental to the trade and prosperity of the country, if we hesitated to take all possible steps to restore our railway lines to the condition demanded by the travelling public and the country's trade. This 30 crores will be practically all devoted to the improvement of existing lines; there is no provision for any new construction, except a small amount, under 2 crores, for the completion of new lines already in progress.

Railway capital expenditure.

How to be met.

34. Apart from certain miscellaneous receipts, such as savings bank deposits, we must rely entirely upon our borrowings in order to finance this liability. For the purpose of these estimates we have entered a rupee borrowing of ₹25 crores and a sterling borrowing of £17½ millions, the latter figure being inclusive of about £2 million which will be realised next year out of the sterling loan of £10 millions floated in December last. We thus anticipate next year a total borrowing of 51½ crores, though we do not of course bind ourselves to distribute our borrowings as between India and England in the particular proportion I have mentioned; this must depend upon market conditions during the year. As the House is probably aware, it is by no means certain that the recent favourable conditions as regards sterling borrowing may continue throughout next year. Hitherto, Indian sterling stock has occupied a

very high place among what are known as gilt-edged securities. For the first time for very many years, Indian securities recently had a sudden, but fortunately only temporary set back in popularity owing to apprehensions felt in the United Kingdom regarding the internal situation in this country. Brief as was the period of depression, the incident nevertheless carries its own warning, and I feel that it would be unsafe to count on a total borrowing, in rupees and sterling combined, larger than that for which we have taken credit. As regards rupee borrowing there are, moreover, two considerations to be borne in mind. In the first place we must remember that any appreciable revival in trade must inevitably lead to other channels of investment for those people who during the past two years have subscribed to our loans. Secondly, several of the Provincial Governments will themselves be entering the market, one of them at all events to a very substantial extent. Altogether, if we look ahead for the next few years, we have to remember that our essential capital liabilities, namely, the provision of an adequate railway programme and the repayment of our short-term bonds, represent a total sum which will strain our borrowing capacity to the utmost, and every serious thinker will I believe agree that to rely to any substantial extent on our annual borrowings to finance large revenue deficits and to provide us with funds for carrying on the ordinary day to day administration is out of the question.

Unsafe to rely on larger borrowings.

35. So far I have dealt with our ways and means position taking our balances in India and England together. It is now necessary, however, that I should give some explanation of the position at our Home Treasury, for, as the House will see, this is likely to have an important bearing upon our general currency and exchange arrangements. In normal times the usual procedure for keeping the Home Treasury in funds is for the Secretary of State to sell Council Bills upon India. No Council Bills have however been sold since 1919, the reason being that there has been no trade demand for them, while the Secretary of State has been able to keep himself in funds by recoveries made by him from the Home Government in respect of expenditure incurred by us on their behalf in India and Mesopotamia, this operating, in effect, as a remittance from us to the Secretary of State. In one financial year, namely, 1918-19 our recoveries from the Home Government were no less than £92 millions. Since then owing to the closing down of the Mesopotamian operations and the gradual disbandment of the additional troops that had been raised during the war for service overseas these recoveries have greatly diminished, and during the current year, we only expect the Secretary of State to recover about £25 millions, while during next year we do not expect that he will recover more than £9½ millions. His total liabilities, including the ordinary home charges, together with about £18½ millions on account of purchases in Europe of railway material and stock, are expected to amount to about £52¼ millions. There is therefore a substantial deficit in his resources. How is that to be supplied? I have already mentioned that he hopes to obtain about £17½ millions from sterling borrowings. Assuming that he will succeed in raising this large amount, there will still remain a gap of £18 millions, which will have to be covered by a transfer of funds from India to England. Now there are only two possible ways of making this remittance; the Secretary of State must draw on us, either through the sterling reserves or by the sale of Council Bills. It is necessary that I say a few words about each of these methods of remitting funds to him.

Problem of keeping the Secretary of State in funds.

Two possible methods.

36. As regards the former, namely, the transfer of our sterling reserves from England to India, there will be in England at the beginning of the financial year about £5¾ millions of the Paper Currency Reserve and £40 millions in the Gold Standard Reserve. Both of these are held mainly in the form of British Treasury Bills, which are readily convertible into cash. The Secretary of State can, therefore, to the extent of his requirements, draw on those reserves, provided of course (and the House will soon see that the proviso is an important one) that we earmark the necessary funds in India for credit to those reserves, the net result being a transfer of the reserves from England to India. In the case of the Paper Currency Reserve we should at this end cancel notes to an amount equivalent to the British Treasury Bills sold out by him, thus reducing the circulation to that extent. In the case of the Gold Standard Reserve we should have to earmark funds for credit to that reserve in India; we propose to do this by earmarking gold,

(1) By transfer of sterling reserves to India

Which will necessitate corresponding deflation in India.

*i.e.*, we should transfer gold from the Paper Currency Reserve, which contains £24 millions, in sovereigns and gold bullion, to the Gold Standard Reserve. But here again, in order to be able to make this transfer, we should of course have to make equivalent payments to the Currency Reserve, and thus cancel notes to the necessary extent. So, whether the Secretary of State draws through the Paper Currency Reserve or through the Gold Standard Reserve, the net result is a cancellation of notes in this country. That is the operation generally known as "deflation", and I use the word for the reason that this is the actual effect of such drawings, and not because we consider that circumstances justify a policy of deflation on its own merits. But when one looks at this matter practically the question at once arises, whether we could in fact effect cancellation to the necessary extent. I must point out moreover that deflation in order to put the Secretary of State in funds does not represent the whole of the cancellation necessary, seeing that under the Paper Currency Act we are bound to apply the interest on our Paper Currency Reserve investments to the cancellation of notes issued against our *ad hoc* securities in India, and further, we have also undertaken to apply to the same purpose any excess in the Gold Standard Reserve over and above the figure of £40 millions. The deflation in respect of these two items will amount next year to about 6 crores, and when added to the deflation necessary on our present estimates to put the Secretary of State in funds, represent a total sum of 33 crores. I have only to mention this amount for the House to judge of the practicability of cancelling 33 crores of notes out of a total circulation of about 1,70 crores. I need not elaborate this point, for it is one which all bankers and financiers, and indeed most business men will at once appreciate. Every crore of notes cancelled by us means a withdrawal of a crore of notes from the money markets, with a proportionate tightening of money. By cancelling notes at judiciously chosen opportunities we hope to be able to provide some portion of the Secretary of State's requirements in the coming year in this manner; and of course deflation, if carried out with caution and with due regard to the legitimate needs of trade, has, as the economists tell us, a valuable effect in reducing the general level of internal prices. But, as recent experience in other countries has shown, there is an obvious limit to which we can or should go in this direction, and we recognise fully the responsibility on us not to go too far, or to produce such a sudden or rapid stringency as might lead to a dangerously acute position.

Danger of attempting too much deflation.

37. If the House has followed me in my remarks regarding the possibilities of deflation, it will be clear to it that to the extent to which our deflation falls short of the amount which we at present estimate as necessary to keep the Secretary of State in funds, it will be necessary for him to sell Council Bills. We have not entered any figure in the estimates for a remittance through Council Bills, and have for the present shown the whole remittance as effected through the sterling reserves, but of course we hold ourselves free, should circumstances require and the state of the exchange market permit, to make remittances by Councils. Further, the facts and figures which I have given to the House must dispose of any apprehension that the business community in India may still feel as regards the Secretary of State's unlimited powers to force up exchange to the two shilling level.

(2) By sale of Council Bills.

## The finances of the provinces.

38. Now that the provincial Governments have almost complete nancial autonomy, it would ordinarily be unnecessary for me to make any reference to their financial operations. What I have already said, however, regarding the difficulties in which the provinces now find themselves, and their effect upon our general ways and means operations, makes it desirable that I should make a few observations on the all-India position. A few facts will suffice to show the general position in the provinces. At the beginning of the current year the total provincial balances were 16·16 crores, while at the end of next year the aggregate balances are expected to be only $5\frac{1}{2}$ crores, even after allowing both for the various loans which several provincial Governments have raised or will have raised, during the two years, and also for the proceeds of extra taxation which several provinces are imposing for their own purposes. Further, there is not a single province which, according

Exhaustion of provincial balances.

to our present information, is not budgeting for a deficit next year. I am not in a position to give full figures, because several provincial budgets have not yet been presented, but the House may take it as reasonably correct when I say that, taking the provinces as a whole, their expenditure next year (omitting of course expenditure of a capital nature which will be defrayed from loan funds) will exceed their revenues by an amount of about 8 crores. Several of the provinces will by the end of the current year have already exhausted the balances which we keep for them as their bankers, and at least one of the major provinces will have to take a substantial advance from us merely in order to carry on. The position of the Central Government's own finances, as I have endeavoured to explain to the House this morning, shows that there can be no question of our attempting to reduce the provincial contributions of 9¼ crores in the immediate future. To do so would merely increase our own uncovered deficit, and the net result would be exactly the same whichever course we adopted, for, whether the all-India deficit be regarded as completely central, or partly central and party provincial, it will have to be financed mainly on the credit of the Central Government. The problem, therefore, is really an all-India one. The great difficulties in which most of the provinces find themselves have led in many cases to requests in non-official quarters that what is known as the Meston Settlement should be revised. I am not quite sure how far such requests are put forward with the object of obtaining a different distribution of the total contributions between the provinces, or merely represent requests for the acceleration of the abolition of the contributions. I must, however, point out that any attempt to wipe the Meston Settlement off the slate might have a very different result from what is sometimes anticipated. Lord Meston' Committee worked on our assumption that the deficit of the Central Government at the initiation of the Reforms, to be made good from contributions from the Provinces, would be 9,83 lakhs. Now, that figure was arrived at upon various assumptions, two of which were of great importance. The first was the 2 shilling rate of exchange; the second a military budget of 43 crores. The non-realisation of the first assumption means, on the present figures of our Home charges, a difference to us of no less than 15½ crores a year. As for the military budget, although the strength of the Army is not greater (it is indeed somewhat less) than the pre-war strength, the cost is some 20 crores higher than the 43 crores we assumed. I would ask, therefore, those who desire to see that settlement upset, to consider whether an impartial committee, now arriving in India to effect a new settlement, might not take a very different view as to the amount of the contributions necessary from the provinces in order to enable the Central Government to discharge its fundamental duty of securing the country's defence, maintaining internal peace, and the service of the national debt.

Problem an all-India one.

Falsification of assumptions upon which present contributions are based.

39. Knowing, however, the difficulties which each Local Government has to face, we consider that the time has come when it is desirable for us to discuss the whole position with them, in order that we may exchange ideas and learn something of each other's difficulties. We propose, therefore, as soon as convenient, to invite the financial officials of each Local Government to a conference, in order to discuss the general position as regards the contributions, and at the same time to take the opportunity of examining the problems which each province has to face in the matter of financing capital outlay on irrigation and other schemes for which the provinces are now responsible.

## CONCLUSION.

40. And now, Sir, I can conclude my task. For us, for the Provincial Governments, for the country at large the year has been a difficult and disappointing one; nor is there yet any clear promise of an early lifting of the clouds which veil the horizon of our finances. We can only address ourselves with what determination we can command to the task of finding a solution for the urgent problems which immediately confront us. One fact, I think, stands out in prominence; the overwhelming importance to India's trade and exchange of world factors over which we have no control. Any attempt to devise remedies as if India were a separate entity, divorced from world conditions, would be doomed to failure. A second fact is also clear; that the world at large, and we also with other countries, have underestimated the period of convalescence necessary for recovery from the maladies of the war. I need not

labour the point, for wherever you look, whether towards Central Europe, or to the United Kingdom, or even to America, it is now clear that the problems are so stupendous that recovery cannot be other than slow. But the conclusion seems to me equally clear. If our troubles are due to world causes, we must move in line with the best thinkers of the outside world in seeking the remedy; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself, is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure. India's financial credit has stood high with the world in the past; if she is to maintain this, and if she is to make good what is of equal importance, her political credit with the world, she cannot afford to falter in applying the obvious and inevitable remedy which the situation demands.

W. M. HAILEY.

*The 1st March 1922.*

# BUDGET

OF THE

# GOVERNMENT OF INDIA,

# MARCH 1922.

---

## PART I.

| | |
|---|---|
| ACCOUNTS . . . . . | 1920-21 |
| REVISED ESTIMATES . . . . . | 1921-22 |
| BUDGET ESTIMATES . . . . . | 1922-23 |

---

CONTENTS.

---


| | PAGE. |
|---|---|
| I.—GENERAL STATEMENT of the REVENUE and EXPENDITURE charged to REVENUE of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 20—21 |
| II.—GENERAL STATEMENT of the RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 22—23 |
| A.—STATEMENT of the REVENUE of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . | 24—27 |
| B.—STATEMENT of the EXPENDITURE charged to the REVENUES of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 28—31 |
| C.—STATEMENT of RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 32—35 |
| D.—ABSTRACT STATEMENT of the RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 36 |


NOTE.—In these statements a pound sterling has been taken as the equivalent of ten rupees. Had this rate of exchange been realised the sterling equivalent of any rupee figure would have been found by dividing it by ten. The average rate of exchange (*i.e.*, the average of the daily telegraphic transfer rates from Calcutta on London) during the year $\frac{1920\text{-}21}{1921\text{-}22}$, however, being $\frac{\text{R}11\cdot6183}{\text{R}15\cdot0466 \text{ (estimated)}}$ per £, the sterling equivalent of the total figure $\frac{}{1922\text{-}23}$ $\frac{}{\text{R}15 \text{ (estimated)}}$ against any head will work out as follows :—

(1) Indian rupee figure divided by the average rate *plus*

(2) English sterling figure, *i.e.*, the rupee figure shown in the column "England" divided by ten.

2. The above formula will not apply in cases where an adjustment on account of exchange on the English expenditure is made on the Indian books. This adjustment consists in $\frac{\text{adding to}}{\text{subtracting from}}$ (in case of $\frac{\text{loss}}{\text{gain}}$ by exchange) the Indian rupee expenditure figures, the difference between the average and the conventional rate of £1=R10 on the *net* English expenditure. The effect of this adjustment is practically to convert the English sterling figure into rupees at an average instead of at the conventional rate of exchange. The sterling equivalent in such cases, therefore, will be obtained by dividing the total Indian and English rupee figure by the average rate given above. This formula will apply to—

(*i*) All figures against the commercial heads of Railways, Irrigation, and Posts and Telegraphs and the head New Capital at Delhi on the expenditure side.

(*ii*) The total expenditure figure.

## I.—General Statement of the Revenue and Expenditure charged to

| | For details, *vide* Statement. | (a) Accounts, 1920-1921. | Budget Estimate, 1921-1922. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Revenue—** | | | | | |
| Principal Heads of Revenue— | | | | | |
| Customs | A. | 30,97,67,469 | 37,73,28,000 | 34,35,14,000 | 51,32,84,000 |
| Taxes on Income | „ | 20,91,74,432 | 18,58,07,000 | 17,69,13,000 | 22,11,39,000 |
| Salt | „ | 6,18,79,813 | 7,00,66,000 | 6,41,62,000 | 11,36,03,000 |
| Opium | „ | 3,53,40,611 | 3,72,85,000 | 3,03,24,000 | 3,09,30,000 |
| Other Heads | „ | 2,25,26,119 | 2,44,80,000 | 2,20,46,000 | 2,35,85,000 |
| TOTAL PRINCIPAL HEADS | | 63,86,88,444 | 69,49,66,000 | 63,69,59,000 | 90,25,41,000 |
| Railways: Net Receipts | „ | 25,01,61,164 | 27,25,63,000 | 16,38,77,000 | 30,85,94,000 |
| Irrigation: Net Receipts | „ | 2,91,582 | 4,24,000 | 7,15,000 | 7,22,000 |
| Posts and Telegraphs: Net Receipts | „ | 1,52,39,627 | 2,08,74,000 (b) | 37,72,000 | 1,65,28,000 |
| Interest Receipts | „ | 3,69,16,065 | 3,49,09,000 (c) | 1,04,66,000 | 84,31,000 |
| Civil Administration | „ | 73,19,336 | 76,35,000 | 72,14,000 | 86,49,000 |
| Currency, Mint and Exchange | „ | 2,88,22,548 | 49,73,000 | 16,86,000 | 21,75,000 |
| Civil Works | „ | 11,33,258 | 10,38,000 | 11,46,000 | 10,92,000 |
| Miscellaneous | „ | 2,60,23,901 | 7,52,76,000 | 6,85,31,000 | 66,11,000 |
| Military Receipts | „ | 6,47,86,036 | 4,11,10,000 | 6,53,82,000 | 4,84,36,000 |
| Contributions and Assignments to the Central Government by Provincial Governments | „ | 9,83,00,000 | 12,93,75,000 | 12,99,16,000 | 9,20,65,000 |
| TOTAL REVENUE | | 1,16,76,82,861 | 1,28,31,43,000 | 1,08,96,64,000 | 1,39,58,44,000 |
| DEFICIT | | 32,33,13,220 | ... | 33,01,45,000 | 2,71,56,000 |
| TOTAL | | 1,49,09,96,081 | 1,28,31,43,000 | 1,41,98,09,000 | 1,42,30,00,000 |

(a) The figures of revenue and expenditure shown in the column "Accounts, 1920-21" in Part I represent the revenue and expenditure of the Central Government as recast for facility of comparison in accordance with the present division of subjects between the Central and Provincial Governments. A separate set of statements giving the figures as they appear in the Accounts for that year is appended in Part II.

(b) Includes R50 lakhs for difference on account of exchange on sterling money order which, in the Revised Estimate for 1921-22 and the Budget Estimate for 1922-23, is shown under the suspense head for Exchange outside the revenue account.

(c) The interest recovered from Provincial Governments on the Provincial loan account and in respect of irrigation capital outlay and loans to Provincial Governments is shown under the receipt head in the Budget Estimate for 1921-22, but appears as a deduction from expenditure in the Revised Estimate for 1921-22 and Budget for 1922-23.

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

## Revenue of the Central Government, in India and in England.

| | For details, *vide* Statement. | (*a*) Accounts, 1920-1921. | Budget Estimate, 1921-1922. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Expenditure—** | | | | | |
| Direct Demands on the Revenues | B. | 4,13,73,251 | 4,93,51,000 | 5,06,31,000 | 5,69,90,000 |
| Railways: Interest and Miscellaneous Charges | „ | 19,37,51,901 | 23,17,13,000 | 24,40,54,000 | 25,98,53,000 |
| Irrigation | „ | 11,88,202 | 11,84,000 | 13,51,000 | 11,19,000 |
| Posts and Telegraphs | „ | 1,34,56,370 | 98,02,000 | 1,37,62,000 | 97,32,000 |
| Debt Services | „ | 15,20,43,631 | 13,08,61,000 | 13,77,34,000 | 15,20,09,000 |
| Civil Administration | „ | 9,36,51,408 | 8,43,18,000 | 8,95,66,000 | 10,01,45,000 |
| Currency, Mint and Exchange | „ | 4,33,49,239 | 4,18,80,000 | 9,92,81,000 | 10,83,22,000 |
| Civil Works | „ | 1,95,56,710 | 1,51,03,000 | 1,52,77,000 | 1,69,54,000 |
| Miscellaneous | „ | 4,32,77,117 | 4,24,37,000 | 4,50,00,000 | 4,13,11,000 |
| Military Services | „ | 58,23,24,252 | 66,31,10,000 | 71,55,15,000 | 67,02,36,000 |
| Miscellaneous adjustments between the Central and Provincial Governments. | „ | 63,24,000 | 62,84,000 | 76,38,000 | 63,29,000 |
| TOTAL EXPENDITURE CHARGED TO REVENUE | | 1,49,09,96,081 | 1,27,60,43,000 | 1,41,98,09,000 | 1,42,30,00,000 |
| SURPLUS | | ... | 71,00,000 | ... | ... |
| TOTAL | | 1,49,09,96,081 | 1,28,31,43,000 | 1,41,98,09,000 | 1,42,30,00,000 |

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

## II.—General Statement of the Receipts and Disbursements of the

| | For details, *vide* Statement. | Receipts. Accounts, 1920-21. | Budget Estimate, 1921-22. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Surplus** | C | ... | 71,00,000 | ... | ... |
| **Railway Capital not charged to Revenue—** | | | | | |
| Capital contributed by Railway Companies and Indian States towards construction of State Railways | „ | ... | 3,99,34,000 | 64,65,000 | 3,86,74,000 |
| **Debt, Deposits and Advances—** | | | | | |
| Permanent Debt (net incurred) | „ | 28,30,14,560 | 17,87,93,000 | 24,66,08,000 | 40,46,93,000 |
| Temporary Debt (net incurred) | „ | 24,03,92,938 | ... | 14,55,16,000 | ... |
| Unfunded Debt (net incurred) | „ | 2,90,60,125 | 4,14,66,000 | 4,44,75,000 | 3,07,15,000 |
| Deposits and Advances (net) | „ | ... | 14,15,65,000 | 17,98,25,000 | 27,61,27,000 |
| Loans and Advances by Central Government (net Repayments) | „ | 12,75,376 | 18,23,000 | ... | 9,74,000 |
| Loans and Advances by Provincial Governments | „ | 2,27,057 | ... | ... | ... |
| Remittances (net) | „ | 15,29,849 | 7,50,34,000 | 6,53,65,000 | 35,73,000 |
| Secretary of State's Bills drawn | „ | ... | ... | ... | ... |
| Sterling Transfers on London drawn | „ | 30,98,80,000 | ... | ... | ... |
| Balances of Provincial Governments (net) | „ | 86,68,098 | ... | ... | ... |
| TOTAL DEBT, DEPOSITS AND ADVANCES | ... | 87,40,48,003 | 43,86,81,000 | 68,22,89,000 | 71,60,82,000 |
| TOTAL RECEIPTS | ... | 87,40,48,003 | 48,57,15,000 | 68,87,54,000 | 75,47,56,000 |
| Opening Balance—India | ... | 26,47,59,962 | 16,37,18,962 | 13,33,56,901 | 11,88,74,901 |
| England | ... | 11,99,73,931 | 6,00,18,930 | 7,20,98,319 | 7,00,27,319 |
| TOTAL | ... | 1,25,87,81,896 | 70,94,52,892 | 89,92,09,220 | 94,36,58,220 |

M. F. GAUNTLETT,
*Auditor General.*

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

## Central Government, in India and in England.

| | For details, *vide* Statement. | Disbursements. Accounts, 1920-21. | Budget Estimate, 1921-22. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| Deficit carried forward from Statement I in Part I | C | 26,00,85,276 | ... | 33,01,45,000 | 2,71,56,000 |
| **Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue—** | | | | | |
| Construction of State Railways | C | 25,88,88,911 | 17,81,56,000 | 23,01,44,000 | 30,00,00,000 |
| Capital outlay on Indian Postal and Telegraph Department | " | ... | 1,00,00,000 | 1,28,06,000 | 1,45,00,000 |
| Construction of Irrigation Works | " | 66,83,195 | 3,14,000 | 6,20,000 | 2,69,000 |
| Initial expenditure on new Capital at Delhi | " | 1,25,75,011 | 1,06,89,000 | 1,40,10,000 | 2,00,00,000 |
| Payments for discharge of Debentures (net) | " | 57,16,214 | 3,99,34,000 | 5,00,000 | 3,60,49,000 |
| TOTAL CAPITAL ACCOUNT DISBURSEMENTS | ... | 28,38,63,331 | 23,90,93,000 | 25,80,80,000 | 37,08,18,000 |
| **Debt, Deposits and Advances—** | | | | | |
| Permanent Debt (net discharged) | " | ... | ... | ... | ... |
| Temporary Debt (net discharged) | " | ... | 20,41,69,000 | ... | 26,87,46,000 |
| Deposits and Advances (net) | " | 18,66,08,069 | ... | ... | ... |
| Loans and Advances by Central Government (net Advances) | " | ... | ... | 2,72,000 | ... |
| Loans between Central and Provincial Governments (net Advances). | " | ... | 1,19,56,000 | 5,92,00,000 | 5,50,00,000 |
| Remittances (net) | " | ... | ... | ... | ... |
| Secretary of State's Bills paid | " | ... | ... | ... | ... |
| Sterling Transfers on London paid | " | 31,77,70,000 | ... | ... | ... |
| Balances of Provincial Governments (net) | " | ... | 5,71,41,000 | 6,26,10,000 | 4,35,60,000 |
| TOTAL DEBT, DEPOSITS AND ADVANCES | ... | 50,43,78,069 | 27,32,66,000 | 12,20,82,000 | 36,73,06,000 |
| TOTAL DISBURSEMENTS | ... | 1,04,83,26,676 | 51,23,59,000 | 71,03,07,000 | 76,52,80,000 |
| Closing Balance—India | ... | 18,83,56,901 | 15,06,25,962 | 11,88,74,901 | 13,77,67,901 |
| England | ... | 7,20,98,319 | 4,64,67,930 | 7,00,27,319 | 4,06,10,319 |
| TOTAL | ... | 1,25,87,81,896 | 70,94,52,892 | 89,92,09,220 | 94,36,58,220 |

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

## A.—Statement of the Revenue of the

| HEADS OF REVENUE. | Accounts, 1920-21. | | | Revised Estimate. | |
|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. |
| | R | R | R | R | R |
| **Principal Heads of Revenue—** | | | | | |
| I.—Customs | 30,97,67,469 | ... | **30,97,67,469** | 34,35,14,000 | ... |
| II.—Taxes on Income | 20,91,74,432 | ... | **20,91,74,432** | 17,69,13,000 | ... |
| III.—Salt | 6,18,79,813 | ... | **6,18,79,813** | 6,41,62,000 | ... |
| IV.—Opium | 3,53,40,611 | ... | **3,53,40,611** | 3,03,24,000 | ... |
| V.—Land Revenue | 41,78,477 | ... | **41,78,477** | 36,66,000 | ... |
| VI.—Excise | 57,65,332 | ... | **57,65,332** | 55,81,000 | ... |
| VII.—Stamps— | | | | | |
| A.—Non-judicial | 23,69,767 | ... | **23,69,767** | 10,08,000 | ... |
| B.—Judicial | | | | 14,19,000 | ... |
| VIII.—Forest | 13,78,974 | ... | **13,78,974** | 13,78,000 | ... |
| IX.—Registration | 1,59,565 | ... | **1,59,565** | 1,72,000 | ... |
| X.—Tributes from Indian States | 86,74,004 | ... | **86,74,004** | 88,27,000 | ... |
| Total | 63,86,88,444 | ... | **63,86,88,444** | 63,69,59,000 | ... |
| **Railways—** | | | | | |
| XI.—State Railways— | | | | | |
| Gross Receipts | 80,92,82,163 | 4,86,070 | **80,97,75,233** | 83,02,44,000 | 4,86,000 |
| *Deduct*—Working Expenses | *54,51,37,464* | ... | ***54,51,37,464*** | *65,88,80,000* | ... |
| Surplus Profits paid to Companies | *1,72,51,527* | ... | ***1,72,51,527*** | *1,04,09,000* | ... |
| Net Receipts | 24,69,00,172 | 4,86,070 | **24,73,86,242** | 16,09,55,000 | 4,86,000 |
| XII.—Subsidised Companies | 6,34,522 | 21,40,400 | **27,74,922** | 10,12,000 | 14,24,000 |
| Total | 24,75,34,694 | 26,26,470 | **25,01,61,164** | 16,19,67,000 | 19,10,000 |
| **Irrigation, etc.—** | | | | | |
| XIII.—Works for which Capital accounts are kept | 3,21,208 | —32,130 | **2,89,078** | 7,44,000 | —33,000 |
| XIV.—Works for which no Capital accounts are kept | 2,504 | ... | **2,504** | 4,000 | ... |
| Total | 3,23,712 | —32,130 | **2,91,582** | 7,48,000 | —33,000 |
| **Posts and Telegraphs—** | | | | | |
| XV.—Gross Receipts | 9,61,14,116 | 86,360 | **9,62,00,476** | 9,12,92,000 | 12,000 |
| *Deduct*—Working Expenses | *8,06,31,219* | *3,29,630* | ***8,09,60,849*** | *8,72,94,000* | *2,38,000* |
| Net Receipts | 1,54,82,897 | —2,43,270 | **1,52,39,627** | 39,98,000 | —2,26,000 |
| **Interest Receipts—** | | | | | |
| XVI.—Interest | 3,48,12,955 | 21,03,110 | **3,69,16,065** | 80,42,000 | 24,24,000 |
| Carried over | 93,68,42,702 | 44,54,180 | **94,12,96,832** | 81,17,14,000 | 40,75,000 |

(*a*) Of this amount R36,16,000 is non-voted and the balance of R65,52,64,000 is voted.
(*b*) Of this amount R34,60,000 is non-voted and the balance of R67,96,14,000 is voted.
(*c*) The whole of this amount is voted.

## Central Government, in India and in England.

| 1921-22. | Increase (+) Decrease (—) as compared with Budget Estimate, 1921-22. | Budget Estimate, 1922-23. | | | Increase (+) Decrease (—) of Budget, 1922-23, as compared with Budget, 1921-22. | Increase (+) Decrease (—) of Budget, 1922-23, as compared with Revised, 1921-22. |
|---|---|---|---|---|---|---|
| Total. | | India. | England. | Total. | | |
| R | R | R | R | R | R | R |
| 34,35,14,000 | —3,38,14,000 | 51,32,84,000 | ... | **51,32,84,000** | +13,59,56,000 | +16,97,70,000 |
| 17,69,13,000 | —88,94,000 | 22,11,39,000 | ... | **22,11,39,000** | +3,53,32,000 | +4,42,26,000 |
| 6,41,62,000 | —59,04,000 | 11,36,03,000 | ... | **11,36,03,000** | +4,35,37,000 | +4,94,41,000 |
| 3,03,24,000 | —69,61,000 | 3,09,30,000 | ... | **3,09,30,000** | —63,55,000 | +6,06,000 |
| 36,66,000 | —6,32,000 | 43,93,000 | ... | **43,93,000** | +95,000 | +7,27,000 |
| 55,81,000 | —1,55,000 | 56,22,000 | ... | **56,22,000** | —1,14,000 | +41,000 |
| 10,08,000 | —1,23,000 | 10,08,000 | ... | **10,08,000** | —1,23,000 | ... |
| 14,19,000 | —60,000 | 14,21,000 | ... | **14,21,000** | —58,000 | +2,000 |
| 13,73,000 | —16,14,000 | 21,68,000 | ... | **21,68,000** | —8,19,000 | +7,95,000 |
| 1,72,000 | +19,000 | 1,68,000 | ... | **1,68,000** | +15,000 | —4,000 |
| 88,27,000 | +1,31,000 | 88,05,000 | ... | **88,05,000** | +1,09,000 | —22,000 |
| 63,69,59,000 | —5,80,07,000 | 90,25,41,000 | ... | **90,25,41,000** | +20,75,75,000 | +26,55,82,000 |
| 83,07,30,000 | —3,98,53,000 | 99,52,42,000 | 4,84,000 | **99,57,26,000** | +12,51,43,000 | +16,49,96,000 |
| *65,88,80,000* (a) | —7,19,38,000 | *68,30,74,000* | ... | *68,30,74,000* (b) | —9,61,32,000 | —2,41,94,000 |
| *1,04,09,000* (c) | +27,91,000 | *60,00,000* | ... | *60,00,000* (c) | +72,00,000 | +44,09,000 |
| 16,14,41,000 | —10,90,00,000 | 30,61,68,000 | 4,84,000 | **30,66,52,000** | +3,62,11,000 | +14,52,11,000 |
| 24,36,000 | +3,14,000 | 8,12,000 | 11,30,000 | **19,42,000** | —1,80,000 | —4,94,000 |
| 16,38,77,000 | —10,86,86,000 | 30,69,80,000 | 16,14,000 | **30,85,94,000** | +3,60,31,000 | +14,47,17,000 |
| 7,11,000 (d) | +2,90,000 | 7,48,000 | —30,000 | **7,18,000** (e) | +2,97,000 | +7,000 |
| 4,000 | +1,000 | 4,000 | ... | **4,000** | +1,000 | ... |
| 7,15,000 | +2,91,000 | 7,52,000 | —30,000 | **7,22,000** | +2,98,000 | +7,000 |
| 9,13,04,000 | —1,81,80,000 | 11,12,29,000 | 3,25,000 | **11,15,54,000** | +20,70,000 | +2,02,50,000 |
| *8,75,32,000* (f) | +10,78,000 | *9,45,36,000* | *4,90,000* | *9,50,26,000* (g) | —64,16,000 | —74,94,000 |
| 37,72,000 | —1,71,02,000 | 1,66,93,000 | —1,65,000 | **1,65,28,000** | —43,46,000 | +1,27,56,000 |
| 1,04,66,000 | —2,44,43,000 | 81,28,000 | 3,03,000 | **84,31,000** | —2,64,78,000 | —20,35,000 |
| 81,57,89,000 | —20,79,47,000 | 1,23,50,94,000 | 17,22,000 | **1,23,68,16,000** | +21,30,80,000 | +42,10,27,000 |

(*d*) Represents net receipts after deduction of R12,81,000 on account of working expenses, of which R26,000 is non-voted and the balance of R12,55,000 is voted.

(*e*) Represents net receipts after deduction of R12,87,000 on account of working expenses, of which R23,000 is non-voted and the balance of R12,64,000 is voted.

(*f*) Of this amount, R16,39,000 is non-voted and the balance of R8,58,93,000 is voted.

(*g*) Of this amount, R18,55,000 is non-voted and the balance of R9,31,71,000 is voted.

## A.—Statement of the Revenue of the Central

| HEADS OF REVENUE. | Accounts, 1920-21. | | | Revised Estimate, | |
|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. |
| | R | R | R | R | R |
| Brought forward | 93,68,42,702 | 44,54,180 | 94,12,96,882 | 81,17,14,000 | 40,75,000 |
| **Civil Administration—** | | | | | |
| XVII.—Administration of Justice | 3,61,103 | ... | 3,61,103 | 3,42,000 | ... |
| XVIII.—Jails and Convict Settlements | 9,82,970 | ... | 9,82,971 | 10,07,000 | ... |
| XIX.—Police | 12,95,896 | ... | 12,95,895 | 15,22,000 | ... |
| XX.—Ports and Pilotage | 23,75,069 | ... | 23,75,069 | 22,87,000 | ... |
| XXI.—Education | 1,11,879 | ... | 1,11,879 | 1,15,000 | ... |
| XXII.—Medical | 48,429 | 1,560 | 49,989 | 54,000 | 2,000 |
| XXIII.—Public Health | 5,38,767 | ... | 5,38,767 | 3,07,000 | ... |
| XXIV.—Agriculture | 5,29,913 | ... | 5,29,913 | 5,27,000 | ... |
| XXV.—Industries | 24,110 | ... | 24,110 | 1,50,000 | ... |
| XXVI.—Miscellaneous Departments | 10,49,640 | ... | 10,49,640 | 9,01,000 | ... |
| Total | 73,17,776 | 1,560 | 73,19,336 | 72,12,000 | 2,000 |
| **Currency, Mint and Exchange—** | | | | | |
| XXVII.—Currency | 90,54,144 | 1,24,20,320 | 2,14,74,464 | 2,63,000 | ... |
| XXVIII.—Mint | 73,46,634 | 1,450 | 73,48,084 | 14,21,000 | 2,000 |
| XXIX.—Exchange | ... | ... | ... | ... | ... |
| Total | 1,64,00,778 | 1,24,21,770 | 2,88,22,548 | 16,84,000 | 2,000 |
| **Civil Works—** | | | | | |
| XXX.—Civil works | 11,33,258 | ... | 11,33,258 | 11,46,000 | ... |
| **Miscellaneous—** | | | | | |
| XXXIII.—Receipts in aid of Superannuation | 14,31,251 | 4,09,200 | 18,40,451 | 20,04,000 | 3,93,000 |
| XXXIV.—Stationery and Printing | 9,24,157 | 22,000 | 9,46,157 | 9,16,000 | 17,000 |
| XXXV.—Miscellaneous | 1,69,13,823 | 63,23,470 | 2,32,37,293 | 5,87,83,000 | 64,18,000 |
| Total | 1,92,69,231 | 67,54,670 | 2,60,23,901 | 6,17,03,000 | 68,28,000 |
| **Military Receipts—** | | | | | |
| XXXVI.—Army— | | | | | |
| Effective | 5,07,93,339 | 31,54,950 | 5,39,48,289 | 4,31,84,000 | 1,27,68,000 |
| Non-effective | 7,01,705 | 4,93,710 | 11,95,415 | 9,23,000 | 23,60,000 |
| | 5,14,95,044 | 36,48,660 | 5,51,43,704 | 4,40,57,000 | 1,51,28,000 |
| XXXVII.—Marine | 79,56,768 | ... | 79,56,768 | 46,67,000 | ... |
| XXXVIII.—Military Works | 16,86,464 | ... | 16,86,464 | 15,30,000 | ... |
| Total | 6,11,38,276 | 36,48,660 | 6,47,86,936 | 5,02,54,000 | 1,51,28,000 |
| **Contributions and Assignments to the Central Government by Provincial Governments—** | | | | | |
| XXXIX.—Contributions and Assignments to the Central Government by Provincial Governments | 9,83,00,000 | ... | 9,83,00,000 | 12,80,86,000 | ... |
| XL.—Miscellaneous adjustments between the Central and Provincial Governments | ... | ... | ... | 18,30,000 | ... |
| Total | 9,83,00,000 | ... | 9,83,00,000 | 12,99,16,000 | ... |
| TOTAL REVENUE | 1,14,04,02,021 | 2,72,80,840 | 1,16,76,82,861 | 1,06,36,29,000 | 2,60,35,000 |

## Government, in India and in England—*continued.*

| 1921-22. | Increase (+) Decrease (−) as compared with Budget Estimate, 1921-22. | Budget Estimate, 1922-23. | | | Increase (+) Decrease (−) of Budget, 1922-23, as compared with Budget, 1921-22. | Increase (+) Decrease (−) of Budget, 1922-23, as compared with Revised, 1921-22. |
|---|---|---|---|---|---|---|
| Total. | | India. | England. | Total. | | |
| R | R | R | R | R | R | R |
| **81,57,89,000** | −20,79,47,000 | 1,23,50,94,000 | 17,22,000 | **1,23,68,16,000** | +21,30,80,000 | +42,10,27,000 |
| **3,42,000** | −43,000 | 3,49,000 | ... | **3,49,000** | −36,000 | +7,000 |
| **10,07,000** | −83,000 | 11,11,000 | ... | **11,11,000** | +21,000 | +1,04,000 |
| **15,22,000** | +2,38,000 | 13,63,000 | ... | **13,63,000** | +79,000 | −1,59,000 |
| **22,87,000** | −56,000 | 24,21,000 | ... | **24,21,000** | +78,000 | +1,34,000 |
| **1,15,000** | +3,000 | 1,17,000 | ... | **1,17,000** | +5,000 | +2,000 |
| **56,000** | +26,000 | 48,000 | 2,000 | **50,000** | +20,000 | −6,000 |
| **3,07,000** | −2,90,000 | 3,07,000 | ... | **3,07,000** | −2,90,000 | ... |
| **5,27,000** | +1,52,000 | 6,80,000 | ... | **6,80,000** | +3,05,000 | +1,53,000 |
| **1,50,000** | −2,50,000 | 2,00,000 | ... | **2,00,000** | −2,00,000 | +50,000 |
| **9,01,000** | −1,18,000 | 20,51,000 | ... | **20,51,000** | +10,32,000 | +11,50,000 |
| **72,14,000** | −4,21,000 | 86,47,000 | 2,000 | **86,49,000** | +10,14,000 | +14,35,000 |
| **2,63,000** | +49,000 | 2,57,000 | ... | **2,57,000** | +43,000 | −6,000 |
| **14,23,000** | −33,36,000 | 19,16,000 | 2,000 | **19,18,000** | −28,41,000 | +4,95,000 |
| ... | ... | ... | ... | ... | ... | ... |
| **16,86,000** | −32,87,000 | 21,73,000 | 2,000 | **21,75,000** | −27,98,000 | +4,89,000 |
| **11,46,000** | +1,08,000 | 10,92,000 | ... | **10,92,000** | +54,000 | −54,000 |
| **23,97,000** | +6,37,000 | 19,02,000 | 3,99,000 | **23,01,000** | +5,41,000 | −96,000 |
| **9,33,000** | +44,000 | 17,24,000 | 17,000 | **17,41,000** | +8,52,000 | +8,08,000 |
| **6,52,01,000** | −74,26,000 | 17,83,000 | 7,86,000 | **25,69,000** | −7,00,58,000 | −6,26,32,000 |
| **6,85,31,000** | −67,45,000 | 54,09,000 | 12,02,000 | **66,11,000** | −6,86,65,000 | −6,19,20,000 |
| **5,59,02,000** | +1,91,10,000 | 3,94,88,000 | 31,90,000 | **4,26,78,000** | +58,86,000 | −1,32,24,000 |
| **32,83,000** | +19,08,000 | 9,00,000 | 13,05,000 | **22,05,000** | +8,30,000 | −10,78,000 |
| **5,91,85,000** | +2,10,18,000 | 4,03,88,000 | 44,95,000 | **4,48,83,000** | +67,16,000 | −1,43,02,000 |
| **46,67,000** | +32,54,000 | 20,23,000 | ... | **20,23,000** | +6,10,000 | −26,44,000 |
| **15,30,000** | ... | 15,30,000 | ... | **15,30,000** | ... | ... |
| **6,53,82,000** | +2,42,72,000 | 4,39,41,000 | 44,95,000 | **4,84,36,000** | +73,26,000 | −1,69,46,000 |
| **12,80,86,000** | −12,71,000 | 9,20,00,000 | ... | **9,20,00,000** | −3,73,57,000 | −3,60,86,000 |
| **18,30,000** | +18,12,000 | 65,000 | ... | **65,000** | +47,000 | −17,65,000 |
| **12,99,16,000** | +5,41,000 | 9,20,65,000 | ... | **9,20,65,000** | −3,73,10,000 | −3,78,51,000 |
| **1,08,96,64,000** | −19,34,79,000 | 1,38,84,21,000 | 74,23,000 | **1,39,58,44,000** | +11,27,01,000 | +30,61,80,000 |

## B.—Statement of the Expenditure charged to the Revenues

| HEADS OF EXPENDITURE. | ACCOUNTS, 1920-21. | | | REVISED ESTIMATE, | | |
|---|---|---|---|---|---|---|
| | India. | England. | TOTAL. | India. | England. | TOTAL. |
| | R | R | R | R | R | R |
| **Direct Demands on the Revenues—** | | | | | | |
| 1.—Customs | 58,76,144 | 76,960 | **59,53,104** | 68,78,000 | 1,10,000 | **69,88,000** |
| 2.—Taxes on income | 21,86,350 | 19,720 | **22,06,070** | 21,12,000 | 27,000 | **21,39,000** |
| 3.—Salt | 1,31,45,931 | 61,840 | **1,32,07,771** | 1,58,40,000 | 81,000 | **1,59,21,000** |
| 4.—Opium | 1,23,04,636 | 70,550 | **1,23,75,186** | 1,86,76,000 | 65,000 | **1,87,41,000** |
| 5.—Land Revenue | 20,83,485 | 7,830 | **20,91,315** | 14,83,000 | 21,000 | **15,04,000** |
| 6.—Excise | 2,47,969 | 8,600 | **2,56,569** | 2,48,000 | 4,000 | **2,52,000** |
| 7.—Stamps— | | | | | | |
| A.—Non-judicial | —13,69,430 | 24,65,850 | **10,97,420** | —31,56,000 | 35,90,000 | **4,34,000** |
| B.—Judicial | 2,57,365 | ... | **2,57,365** | 2,70,000 | ... | **2,70,000** |
| 8.—Forests | 30,31,989 | 8,47,000 | **38,78,989** | 36,79,000 | 6,56,000 | **43,35,000** |
| 9.—Registration | 49,462 | ... | **49,462** | 47,000 | ... | **47,000** |
| TOTAL | 3,78,14,901 | 35,58,350 | **4,13,73,251** | 4,60,77,000 | 45,54,000 | **5,06,31,000** |
| **Railway Revenue Account—** | | | | | | |
| 10.—State Railways: | | | | | | |
| Interest on Debt | 9,41,54,057 | 3,77,48,700 | **13,19,02,757** | 11,18,38,000 | 4,09,46,000 | **15,27,84,000** |
| Interest on Capital contributed by Companies | 36,49,216 | 2,11,50,800 | **2,48,00,016** | 1,16,49,000 | 2,16,80,000 | **3,33,29,000** |
| Annuities in purchase of Railways | 54,33,346 | 3,35,73,960 | **3,90,07,306** | 1,70,29,000 | 3,35,71,000 | **5,06,00,000** |
| Sinking Funds | 4,38,526 | 27,09,770 | **31,48,296** | 14,51,000 | 28,74,000 | **43,25,000** |
| 11.—Subsidised Companies | 5,09,993 | ... | **5,09,993** | 7,41,000 | ... | **7,41,000** |
| 12.—Miscellaneous Railway Expenditure | —70,05,547 | 13,89,080 | **—56,16,467** | 4,91,000 | 17,84,000 | **22,75,000** |
| TOTAL | 9,71,79,591 | 9,65,72,310 | **19,37,51,901** | 14,31,99,000 | 10,08,55,000 | **24,40,54,000** |
| **Irrigation, etc., Revenue Account—** | | | | | | |
| 14.—Works for which Capital accounts are kept— | | | | | | |
| Interest on Debt | 9,33,593 | 51,000 | **9,84,593** | 9,39,000 | ... | **9,39,000** |
| 15.—Other Revenue Expenditure | 1,27,834 | ... | **1,27,834** | 1,65,000 | ... | **1,65,000** |
| TOTAL | 10,61,427 | 51,000 | **11,12,427** | 11,04,000 | ... | **11,04,000** |
| **Irrigation, etc., Capital Account (charged to Revenue)—** | | | | | | |
| 16.—Construction of Irrigation, etc., Works— | | | | | | |
| Financed from Ordinary Revenues | 75,775 | ... | **75,775** | 65,000 | 1,82,000 | **2,47,000** |
| **Posts and Telegraphs Revenue Account—** | | | | | | |
| 17.—Posts and Telegraphs— | | | | | | |
| Interest on Debt | ... | ... | ... | 60,00,000 | ... | **60,00,000** |
| Miscellaneous Expenditure | 49,46,296 | 79,56,980 | **1,29,03,276** | —11,94,000 | 85,65,000 | **73,71,000** |
| TOTAL | 49,46,296 | 79,56,980 | **1,29,03,276** | 48,06,000 | 85,65,000 | **1,33,71,000** |
| **Posts and Telegraphs Capital Account (charged to Revenue)—** | | | | | | |
| 18.—Capital outlay on Posts and Telegraphs— Indo-European Telegraph Department | —31,576 | 5,84,670 | **5,53,094** | 1,86,000 | 2,05,000 | **3,91,000** |
| **Debt Services—** | | | | | | |
| 19.—Interest on Ordinary Debt | 17,88,14,392 | 6,61,56,260 | **24,49,70,652** | 18,45,50,000 | 7,23,95,000 | **25,69,45,000** |
| *Deduct*—Amount chargeable to Railways | *8,80,51,408* | *3,77,48,700* | ***12,58,00,108*** | *9,13,65,000* | *4,09,46,000* | ***13,23,11,000*** |
| „ Amount chargeable to Irrigation | *9,25,348* | *51,000* | ***9,76,348*** | *9,39,000* | ... | ***9,39,000*** |
| „ Amount chargeable to Posts and Telegraphs | ... | ... | ... | *60,00,000* | ... | ***60,00,000*** |
| „ Amount chargeable to Provincial Governments | ... | ... | ... | *2,65,32,000* | ... | ***2,65,32,000*** |
| Remainder chargeable to Ordinary Debt | 8,98,37,636 | 2,83,56,560 | **11,81,94,196** | 5,97,14,000 | 3,14,49,000 | **9,11,63,000** |
| 20.—Interest on other Obligations | 2,15,49,435 | | **2,15,49,435** | 2,61,71,000 | ... | **2,61,71,000** |
| 21.—Sinking Funds | 73,00,000 | 50,00,000 | **1,23,00,000** | 1,54,00,000 | 50,00,000 | **2,04,00,000** |
| TOTAL | 11,86,87,071 | 3,33,56,560 | **15,20,43,631** | 10,12,85,000 | 3,64,49,000 | **13,77,34,000** |
| Carried over | 25,97,83,485 | 14,20,79,870 | **40,18,13,355** | 29,67,22,000 | 15,08,10,000 | **44,75,32,000** |

## of the Central Government, in India and in England.

| 1921-22. | | | BUDGET ESTIMATE, 1922-23. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Increase (+) Decrease (—) as compared with Budget, 1921-22. | Distribution of Total between | | India. | England. | Total. | Increase (+) Decrease (—) as compared with Budget, 1921-22. | Increase (+) Decrease (—) as compared with Revised, 1921-22. | Distribution of Total into voted and non-voted. | |
| | Voted. | Non-voted. | | | | | | Included in Demands for grants. | Not submitted to vote. |
| R | R | R | R | R | R | R | R | R | R |
| −1,77,000 | 62,94,000 | 6,94,000 | 70,59,000 | 1,09,000 | **71,68,000** | + 3,000 | + 1,80,000 | 64,37,000 | 7,31,000 |
| −8,96,000 | 19,49,000 | 1,90,000 | 48,26,000 | 66,000 | **48,92,000** | + 18,57,000 | + 27,53,000 | 45,52,000 | 3,40,000 |
| −10,000 | 1,21,36,000 | 37,85,000 | 1,74,29,000 | 71,000 | **1,75,00,000** | + 15,69,000 | + 15,79,000 | 1,35,05,000 | 39,95,000 |
| + 34,87,000 | 1,85,72,000 | 1,69,000 | 1,87,56,000 | 65,000 | **1,88,21,000** | + 35,67,000 | + 80,000 | 1,86,54,000 | 1,67,000 |
| −7,38,000 | 14,12,000 | 92,000 | 15,42,000 | 20,000 | **15,62,000** | − 6,80,000 | + 58,000 | 14,65,000 | 97,000 |
| + 8,000 | 1,79,000 | 73,000 | 2,83,000 | 1,000 | **2,84,000** | + 40,000 | + 32,000 | 2,08,000 | 76,000 |
| −7,51,000 | 7,04,000 | ... | −9,47,000 | 19,40,000 | **9,93,000** | − 1,92,000 | + 5,59,000 | 13,03,000 | ... |
| −39,000 | | | 3,10,000 | ... | **3,10,000** | + 1,000 | + 40,000 | | |
| + 3,98,000 | 38,71,000 | 4,64,000 | 45,76,000 | 8,36,000 | **54,12,000** | + 14,75,000 | + 10,77,000 | 48,26,000 | 5,86,000 |
| −2,000 | 47,000 | ... | 48,000 | ... | **48,000** | − 1,000 | + 1,000 | 48,000 | ... |
| + 12,80,000 | 4,51,64,000 | 54,67,000 | 5,38,82,000 | 31,08,000 | **5,69,90,000** | + 76,39,000 | + 63,59,000 | 5,09,98,000 | 59,92,000 |
| −52,87,000 | 2,04,73,000 | 13,23,11,000 | 12,43,47,000 | 4,26,27,000 | **16,69,74,000** | + 89,03,000 | + 1,41,90,000 | 2,13,13,000 | 14,56,61,000 |
| + 67,96,000 | 1,12,93,000 | 2,20,36,000 | 1,15,11,000 | 2,21,37,000 | **3,36,48,000** | + 71,15,000 | + 3,19,000 | 1,11,06,000 | 2,25,42,000 |
| + 1,03,10,000 | 1,70,29,000 | 3,35,71,000 | 1,67,87,000 | 3,35,75,000 | **5,03,62,000** | + 1,00 72,000 | − 2,38,000 | 1,67,87,000 | 3,35,75,000 |
| + 8,52,000 | 14,51,000 | 28,74,000 | 15,28,000 | 30,54,000 | **45,82,000** | + 11,09,000 | + 2,57,000 | 15,28,000 | 30,54,000 |
| + 1,41,000 | 7,41,000 | ... | 19,83,000 | ... | **19,83,000** | + 13,83,000 | + 12,42,000 | 19,83,000 | ... |
| −4,71,000 | 9,33,000 | 13,42,000 | 6,19,000 | 16,85,000 | **23,04,000** | − 4,42,000 | + 29,000 | 9,48,000 | 13,56,000 |
| + 1,23,41,000 | 5,19,20,000 | 19,21,34,000 | 15,67,75,000 | 10,30,78,000 | **25,98,53,000** | + 2,81,40,000 | + 1,57,99,000 | 5,36,65,000 | 20,61,88,000 |
| −46,000 | ... | 9,39,000 | 9,51,000 | ... | **9,51,000** | − 34,000 | + 12,000 | ... | 9,51,000 |
| + 26,000 | 1,65,000 | ... | 1,33,000 | ... | **1,33,000** | − 6,000 | − 32,000 | 1,33,000 | ... |
| −20,000 | 1,65,000 | 9,39,000 | 10,84,000 | ... | **10,84,000** | − 40,000 | − 20,000 | 1,33,000 | 9,51,000 |
| + 1,87,000 | 2,06,000 | 41,000 | 35,000 | ... | **35,000** | − 25,000 | − 2,12,000 | 35,000 | ... |
| + 60,00,000 | ... | 60,00,000 | 66,00,000 | ... | **66,00,000** | + 66,00,000 | + 6,00,000 | ... | 66,00,000 |
| + 73,71,000 | 73,71,000 | ... | − 31,84,000 | 63,45,000 | **31,61,000** | + 31,61,000 | − 42,10,000 | 31,61,000 | ... |
| + 1,33,71,000 | 73,71,000 | 60,00,000 | 34,16,000 | 63,45,000 | **97,61,000** | + 97,61,000 | − 36,10,000 | 31,61,000 | 66,00,000 |
| −94,11,000 | 3,91,000 | ... | −3,64,000 | 3,35,000 | **−29,000** | − 98,31,000 | − 4,20,000 | −29,000 | ... |
| + 1,82,38,000 | ... | ... | 19,94,50,000 | 8,29,81,000 | **28,24,31,000** | + 4,37,24,000 | + 2,54,86,000 | ... | ... |
| + 1,80,27,000 | ... | ... | *10,30,34,000* | *4,26,27,000* | ***14,56,61,000*** | + 46,77,000 | − 1,33,50,000 | ... | ... |
| + 46,000 | ... | ... | *9,51,000* | ... | ***9,51,000*** | + 34,000 | − 12,000 | ... | ... |
| −60,00,000 | ... | ... | *66,00,000* | ... | ***66,00,000*** | − 66,00,000 | − 6,00,000 | ... | ... |
| −2,65,32,000 | ... | ... | *2,99,73,000* | ... | ***2,99,73,000*** | − 2,99,73,000 | − 34,41,000 | ... | ... |
| + 37,79,000 | ... | 9,11,63,000 | 5,88,92,000 | 4,03,54,000 | **9,92,46,000** | + 1,18,62,000 | + 30,83,000 | ... | 9,92,46,000 |
| + 30,94,000 | 2,61,71,000 | ... | 3,23,63,000 | ... | **3,23,63,000** | + 92,86,000 | + 61,92,000 | 3,23,63,000 | ... |
| ... | ... | 2,04,00,000 | 1,54,00,000 | 50,00,000 | **2,04,00,000** | ... | ... | ... | 2,04,00,000 |
| + 68,73,000 | 2,61,71,000 | 11,15,63,000 | 10,66,55,000 | 4,53,54,000 | **15,20,09,000** | + 2,11,48,000 | + 1,42,75,000 | 3,23,63,000 | 11,96,46,000 |
| + 26,21,000 | 13,13,88,000 | 31,61,44,000 | 32,14,83,000 | 15,82,20,000 | **47,97,03,000** | + 5,67,92,000 | + 3,21,71,000 | 14,03,26,000 | 33,93,77,000 |

## B.—Statement of the Expenditure charged to the Revenues

| HEADS OF EXPENDITURE. | ACCOUNTS, 1920-21. | | | REVISED ESTIMATE, | | |
|---|---|---|---|---|---|---|
| | India. | England. | TOTAL. | India. | England. | TOTAL. |
| | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| Brought forward | 25,97,33,485 | 14,20,79,870 | **40,18,13,355** | 29,67,22,000 | 15,08,10,000 | **44,75,32,000** |
| **Civil Administration—** | | | | | | |
| 22.—General Administration— | | | | | | |
| A.—Heads of Provinces (including Governor General) and Executive Councils | 20,13,620 | ... | **20,13,620** | 20,10,000 | ... | **20,10,000** |
| B.—Legislative Bodies | 1,84,813 | ... | **1,84,813** | 7,00,000 | ... | **7,00,000** |
| C.—Secretariat and headquarters establishment | 77,45,273 | ... | **77,45,273** | 78,80,000 | ... | **78,80,000** |
| D.—Commissioners | ... | ... | ... | ... | ... | ... |
| E.—District Administration | ... | ... | ... | 15,41,000 | ... | **15,41,000** |
| F.—Home Administration, etc. | ... | 62,82,490 | **62,82,490** | ... | 45,94,000 | **45,94,000** |
| 23.—Audit | 54,48,310 | 2,77,830 | **57,26,140** | 68,0[illegible],000 | 3,06,000 | **71,06,000** |
| 24.—Administration of Justice | 14,84,803 | 20,360 | **15,05,163** | 8,57,000 | 48,000 | **9,05,000** |
| 25.—Jails and Convict Settlements | 41,53,003 | 26,080 | **41,79,083** | 44,95,000 | 22,000 | **45,17,000** |
| 26.—Police | 73,25,835 | 53,900 | **73 79,735** | 85,61,000 | 1,09,000 | **86,70,000** |
| 27.—Ports and Pilotage | 19,71,176 | 1,82,400 | **21,53,576** | 22,[illegible]7,000 | 1,81,000 | **23,98,000** |
| 28.—Ecclesiastical | 25,34,735 | 2,63,930 | **27,98,665** | 26,82,000 | 2,86,000 | **29,68,000** |
| 29.—Political | 3,33,07,498 | 9,80,370 | **3,42,87,868** | 1,98,87,000 | 10,72,000 | **2,09,59,000** |
| 30.—Scientific Departments | 54,14,[illegible]25 | 12,55,250 | **66,69,375** | 99,20,000 | 11,75,000 | **1,10,95,000** |
| 31.—Education | 27,19,769 | 2,29,530 | **29,49,299** | 29,73,000 | 91,000 | **30,64,000** |
| 32.—Medical | 19,03,254 | 53,830 | **19,57,084** | 24,04,000 | 2,31,000 | **26,35,000** |
| 33.—Public Health | 25,45,400 | 11,360 | **25,56,760** | 15,33,000 | 54,000 | **15,87,000** |
| 34.—Agriculture | 21,[illegible],768 | 61,860 | **22,38,628** | 19,65,000 | 1,25,000 | **20,90,000** |
| 35.—Industries | 5,34,605 | 46,630 | **5,81,235** | 3,13,000 | 83,000 | **3,96,000** |
| 36.—Aviation | 3,18,258 | ... | **3,18,258** | 1,81,000 | 2,000 | **1,83,000** |
| 37.—Miscellaneous Departments | 20,95,473 | 28,870 | **21,24,343** | 40,83,000 | 1,85,000 | **42,68,000** |
| TOTAL | 8,38,76,718 | 97,74,690 | **9,36,51,408** | 8,10,02,000 | 85,64,000 | **8,95,66,000** |
| **Currency, Mint and Exchange—** | | | | | | |
| 38.—Currency | 36,50,620 | 47,72,770 | **84,23,390** | 29,26,000 | 42,01,000 | **71,27,000** |
| 39.—Mint | 18,99,803 | 6,86,520 | **25,86,323** | 17,88,000 | 66,000 | **18,54,000** |
| 40.—Exchange | 3,23,39,526 | ... | **3,23,39,526** | 9,03,00,000 | ... | **9,03,00,000** |
| TOTAL | 3,78,89,949 | 54,59,290 | **4,33,49,239** | 9,50,14,000 | 42,67,000 | **9,92,81,000** |
| **Civil Works—** | | | | | | |
| 41.—Civil Works | 1,92,97,880 | 2,58,830 | **1,95,56,710** | 1,48,54,000 | 4,23,000 | **1,52,77,000** |
| **Miscellaneous—** | | | | | | |
| 43.—Famine Relief and Insurance— | | | | | | |
| A.—Famine Relief | ... | ... | ... | 4,50,000 | ... | **4,50,000** |
| 44.—Territorial and Political Pensions | 27,34,064 | 1,07,030 | **28,41,094** | 28,95,000 | 1,16,000 | **30,11,000** |
| 45.—Superannuation Allowances and Pensions | 24,31,633 | 2,07,96,960 | **2,32,28,593** | 29,91,000 | 2,13,16,000 | **2,43,07,000** |
| 46.—Stationery and Printing | 59,17,435 | 19,98,520 | **79,15,955** | 63,04,000 | 23,09,000 | **86,13,000** |
| 47.—Miscellaneous | 93,19,805 | 6,71,670 | **99,91,475** | 62,67,000 | 23,52,000 | **86,19,000** |
| TOTAL | 2,04,02,937 | 2,35,74,180 | **4,39,77,117** | 1,89,07,000 | 2,60,93,000 | **4,50,00,000** |
| **Military Services—** | | | | | | |
| 48.—Army— | | | | | | |
| Effective | 67,88,98,151 | 7,73,32,370 | **75,62,30,521** | 50,15,64,000 | 8,36,12,000 | **58,51,76,000** |
| Non-effective | 2,48,11,966 | 3,18,61,450 | **5,66,73,416** | 3,13,66,000 | 3,35,95,000 | **6,49,61,000** |
| | 70,37,10,117 | 10,91,93,820 | **81,29,03,937** | 53,29,30,000 | 11,72,07,000 | **65,01,37,000** |
| 49.—Marine | 83,20,180 | 57,34,880 | **1,40,55,060** | 91,64,000 | 39,29,000 | **1,30,93,000** |
| 50.—Military Works | 5,40,92,695 | 12,72,560 | **5,53,65,255** | 5,09,80,000 | 13,05,000 | **5,22,85,000** |
| TOTAL | 76,61,22,992 | 11,62,01,260 | **88,23,24,252** | 59,30,74,000 | 12,24,41,000 | **71,55,15,000** |
| **Contributions and Assignments to the Central Government by Provincial Governments—** | | | | | | |
| 52.—Miscellaneous adjustments between the Central and Provincial Governments | 63,24,000 | ... | **63,24,000** | 76,38,000 | ... | **76,38,000** |
| TOTAL EXPENDITURE CHARGED TO REVENUE | 1,19,36,47,961 | 29,73,48,120 | **1,49,09,96,081** | 1,10,72,11,000 | 31,25,98,000 | **1,41,98,09,000** |

## of the Central Government in India and in England—*continued.*

| 1921-22. | | | BUDGET ESTIMATE, 1922-23. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Increase (+) Decrease (—) as compared with Budget, 1921-22. | Distribution of Total between | | India. | England. | Total. | Increase (+) Decrease (—) as compared with Budget, 1921-22. | Increase (+) Decrease (—) as compared with Revised, 1921-22. | Distribution of Total into voted and non-voted. | |
| | Voted. | Non-voted. | | | | | | Included in Demands for grants. | Not submitted to vote. |
| R | R | R | R | R | R | R | R | R | R |
| +2,46,21,000 | 13,13,88,000 | 31,61,44,000 | 32,14,83,000 | 15,82,20,000 | **47,97,03,000** | +5,67,92,000 | +3,21,71,000 | 14,03,,26,000 | 33,93,77,000 |
| | | | | | | | | | |
| —1,67,000 | | | 20,49,000 | ... | **20,49,000** | —1,28,000 | +39,000 | | |
| —85,000 | | | 8,50,000 | ... | **8,50,000** | +65,000 | +1,50,000 | | |
| +4,56,000 | 1,07,43,000 | 59,82,000 | 85,75,000 | ... | **85,75,000** | +11,51,000 | +6,95,000 | 1,20,11,000 | 59,68,000 |
| —52,000 | | | ... | ... | ... | —52,000 | ... | | |
| +15,41,000 | | | 18,14,000 | ... | **18,14,000** | +18,14,000 | +2,73,000 | | |
| +6,57,000 | | | ... | 46,91,000 | **46,91,000** | +7,54,000 | +97,000 | | |
| +6,41,000 | 64,17,000 | 6,89,000 | 78,96,000 | 2,80,000 | **81,76,000** | +17,11,000 | +10,70,000 | 72,69,000 | 9,07,000 |
| —5,97,000 | 6,68,000 | 2,37,000 | 9,49,000 | 53,000 | **10,02,000** | —5,00,000 | +97,000 | 7,47,000 | 2,55,000 |
| +7,06,000 | 43,50,000 | 1,67,000 | 43,99,000 | 24,000 | **44,23,000** | +6,12,000 | —94,000 | 42,16,000 | 2,07,000 |
| +8,06,000 | 80,20,000 | 6,50,000 | 89,49,000 | 1,29,000 | **90,78,000** | +12,14,000 | +4,08,000 | 83,36,000 | 7,42,000 |
| —71,000 | 11,81,000 | 12,17,000 | 23,81,000 | 2,47,000 | **26,28,000** | +1,59,000 | +2,30,000 | 12,78,000 | 13,50,000 |
| —1,37,000 | ... | 29,68,000 | 29,60,000 | 2,82,000 | **32,42,000** | +1,37,000 | +2,74,000 | ... | 32,42,000 |
| —4,000 | ... | 2,09,59,000 | 2,80,69,000 | 8,30,000 | **2,88,99,000** | +79,36,000 | +79,40,000 | ... | 2,88,99,000 |
| +27,48,000 | 92,89,000 | 18,06,000 | 1,01,78,000 | 8,25,000 | **1,10,03,000** | +26,56,000 | —92,000 | 89,06,000 | 20,97,000 |
| —2,62,000 | 29,12,000 | 1,52,000 | 34,13,000 | 92,000 | **35,05,000** | +1,79,000 | +4,41,000 | 33,15,000 | 1,90,000 |
| —2,27,000 | 21,01,000 | 5,34,000 | 27,56,000 | 3,72,000 | **31,28,000** | +2,66,000 | +4,93,000 | 24,28,000 | 7,00,000 |
| +89,000 | 13,80,000 | 2,07,000 | 15,36,000 | 64,000 | **16,00,000** | +1,02,000 | +13,,000 | 13,79,000 | 2,21,000 |
| +1,66,000 | 17,43,000 | 3,47,000 | 21,35,000 | 1,34,000 | **22,69,000** | +3,45,000 | +1,79,000 | 17,79,000 | 4,90,000 |
| —3,09,000 | 3,49,000 | 47,000 | 1,79,000 | 31,000 | **2,10,000** | —4,95,000 | —1,85,000 | 1,50,000 | 60,000 |
| +1,08,000 | 1,70,000 | 13,000 | 51,000 | ... | **51,000** | —24,000 | —1,32,000 | 37,000 | 14,000 |
| —7,59,000 | 37,63,000 | 5,05,000 | 27,45,000 | 2,07,000 | **29,52,000** | —20,75,000 | —13,16,000 | 23,60,000 | 5,92,000 |
| +52,48,000 | 5,30,86,000 | 3,64,80,000 | 9,18,84,000 | 82,61,000 | **10,01,45,000** | +1,58,27,000 | +1,05,79,000 | 5,42,11,000 | 4,59,34,000 |
| +6,27,000 | 69,65,000 | 1,62,000 | 32,77,000 | 33,03,000 | **65,80,000** | +80,000 | —5,47,000 | 63,62,000 | 2,18,000 |
| —6,72,000 | 16,76,000 | 1,78,000 | 21,08,000 | 84,000 | **21,92,000** | —3,34,000 | +3,38,000 | 20,00,000 | 1,92,000 |
| +5,74,16,000 | 9,03,00,000 | ... | 9,95,50,000 | ... | **9,95,50,000** | +6,66,96,000 | +92,50,000 | 9,95,50,000 | ... |
| +5,74,01,000 | 9,89,41,000 | 3,40,000 | 10,49,35,000 | 33,87,000 | **10,83,22,000** | +6,64,42,000 | +90,41,000 | 10,79,12,000 | 4,10,000 |
| +1,74,000 | 1,50,47,000 | 2,30,000 | 1,65,77,000 | 3,77,000 | **1,69,54,000** | +16,51,000 | +16,77,000 | 1,67,49,000 | 2,05,000 |
| +4,30,000 | 4,50,000 | ... | 27,000 | ... | **27,000** | +7,000 | —4,23,000 | 27,000 | ... |
| +22,000 | ... | 30,11,000 | 29,68,000 | 1,16,000 | **30,84,000** | +95,000 | +73,000 | ... | 30,84,000 |
| +3,74,000 | 30,68,000 | 2,12,39,000 | 33,22,000 | 2,14,03,000 | **2,47,25,000** | +7,92,000 | +4,18,000 | 34,56,000 | 2,12,69,000 |
| +16,04,000 | 86,09,000 | 4,000 | 51,75,000 | 18,41,000 | **70,16,000** | +7,000 | —15,97,000 | 70,04,000 | 12,000 |
| +1,33,000 | 56,17,000 | 30,02,000 | 49,01,000 | 15,58,000 | **64,59,000** | —20,27,000 | —1,60,000 | 34,54,000 | 30,05,000 |
| +25,63,000 | 1,77,44,000 | 2,72,56,000 | 1,63,93,000 | 2,49,18,000 | **4,13,11,000** | —11,26,000 | —36,89,000 | 1,39,41,000 | 2,73,70,000 |
| +3,94,01,000 | ... | 58,51,76,000 | 46,10,77,000 | 7,70,22,000 | **53,80,99,000** | —76,76,000 | —4,70,77,000 | ... | 53,80,99,000 |
| +75,65,000 | ... | 6,49,61,000 | 3,44,29,000 | 3,75,27,000 | **7,19,56,000** | +1,45,60,000 | +69,95,000 | ... | 7,19,56,000 |
| +4,69,66,000 | ... | 65,01,37,000 | 49,55,06,000 | 11,45,49,000 | **61,00,55,000** | +68,84,000 | —4,00,82,000 | ... | 61,00,55,000 |
| +31,54,000 | ... | 1,30,93,000 | 87,44,000 | 46,52,000 | **1,33,96,000** | +34,57,000 | +3,03,000 | ... | 1,33,96,000 |
| +22,85,000 | ... | 5,22,85,000 | 4,63,00,000 | 4,85,000 | **4,67,85,000** | —32,15,000 | —55,00,000 | ... | 4,67,85,000 |
| +5,24,05,000 | ... | 71,55,15,000 | 55,05,50,000 | 11,96,86,000 | **67,02,36,000** | +71,26,000 | —4,52,79,000 | ... | 67,02,36,000 |
| +13,54,000 | 76,38,000 | ... | 63,29,000 | ... | **63,29,000** | +45,000 | —13,09,000 | 63,29,000 | ... |
| +14,87,66,000 | 32,38,44,000 | 1,09,59,65,000 | 1,10,81,51,000 | 31,48,49,000 | **1,42,30,00,000** | +14,69,57,000 | +31,91,000 | 33,94,68,000 | 1,08,35,32,000 |

## C.—Statement of Receipts and Disbursements of the

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | nd. | Total. | India. | England. | Total. |
| | R | R | R | R | R | R | R | R | R |
| Revenue (from Statement A in Part I for Revised and Budget and Part II for Accounts) . . . . | 2,03,39,35,714 | 2,76,42,592 | 2,06,15,78,306 | 1,06,36,29,00 | 2,60,35,000 | 1,08,96,64,000 | 1,38,84,21,000 | 74,23,000 | 1,39,58,44,000 |
| **Excess of Revenue over Expenditure charged to Revenue . . . .** | | | **—26,60,85,276** | ... | ... | **—33,01,45,000** | ... | ... | **—2,71,56,000** |
| **Railway Capital not charged to Revenue—** | | | | | | | | | |
| Capital contributed by Railway Companies and Indian States towards outlay on State Railways . . . | ... | ... | ... | 19,65,000 | 45,00,000 | 64,65,000 | 8,75,000 | 3,77,99,000 | 3,86,74,000 |
| **Permanent Debt Incurred—** | | | | | | | | | |
| *Sterling Debt—* | | | | | | | | | |
| New Sterling Loan . . | ... | ... | | ... | ... | | ... | 16,03,00,000 | |
| 7 per cent. Stock . . | ... | ... | | ... | 7,50,00,000 | | ... | ... | |
| 5½ per cent. Stock . . | ... | ... | | ... | 7,85,00,000 | | ... | 1,54,82,000 | |
| *Rupee Debt –* | | | | | | | | | |
| New Rupee Loan . . | ... | ... | | ... | ... | | 25,00,00,000 | ... | |
| 6 per cent. Bonds, 1931 . | ... | ... | | 11,30,77,000 | ... | | ... | ... | |
| 6 per cent. Bonds, 1930 . | 29,35,34,700 | ... | | —7,08,000 | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1925 | 6,763 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1928 | 3,071 | .. | | ... | ... | | ... | ... | |
| 5 per cent. War Loan, 1929-47 | ... | ... | | 12,000 | ... | | ... | ... | |
| 5 per cent. Loan, 1945—55. | 40,38,100 | ... | | ... | ... | | ... | ... | |
| 3½ per cent. Loans . . | ... | ... | | 3,00,000 | ... | | 3,00,000 | ... | |
| Total . | 29,75,82,634 | ... | 29,75 82,634 | 11,26,81,000 | 15,35,00,000 | 26,61,81,000 | 25,03,00,000 | 17,57,82,000 | 42,60,82,000 |
| Net . | | | **28,30,14,560** | | | **24,66,08,000** | | | **40,46,93,000** |
| **Temporary Debt Incurred—** | | | | | | | | | |
| 6 per cent. Bonds, 1926 . | ... | ... | | 37,89,47,000 | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1920 | —230 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1921 | —1,892 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1922 | —1,200 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1923 | 2,050 | ... | | ... | ... | | ... | ... | |
| Treasury Bills— | | | | | | | | | |
| Issued to public . . | 77,93,45,000 | ... | | 1,23,74,00,000 | ... | | 1,31,00,00,000 | ... | |
| Issued to Paper Currency Reserve . . . | 61,26,00,000 | ... | | 59,27,00,000 | ... | | 39,13,54,000 | ... | |
| Other Temporary Loans . | 3,00,00,000 | ... | | 15,00,00,000 | ... | | ... | ... | |
| Total . | 1,42,19,43,728 | ... | 1,42,19,43,728 | 2,35,90,47,000 | ... | 2,35,90,47,000 | 1,70,13,54,000 | ... | 1,70,13,54,000 |
| Net . | | | **24,03,92,938** | | | **14,55,16,000** | | | **0** |
| **Unfunded Debt—** | | | | | | | | | |
| Post Office Cash Certificates | 52,09,056 | ... | | 48,34,000 | ... | | 1,00,00,000 | ... | |
| Deposits of Service Funds . | 14,48,976 | 12,265 | | 14,64,000 | ... | | 14,63,000 | ... | |
| Savings Bank Deposits . | 23,63,46,998 | ... | | 26,06,06,000 | ... | | 25,07,71,000 | ... | |
| Total . | 24,30,05,030 | 12,265 | 24,30,17,295 | 26,69,04,000 | ... | 26,69,04,000 | 26,22,34,000 | ... | 26,22,34,000 |
| Net . | | | **2,90,60,125** | | | **4,44,75,000** | | | **3,07,15,000** |
| **Deposits and Advances—** | | | | | | | | | |
| Appropriation for reduction of debt . . . . | 64,26,110 | ... | | ... | ... | | ... | ... | |
| Deposits of Local Funds— | | | | | | | | | |
| District Funds . . | 10,60,73,597 | ... | | 11,81,73,000 | ... | | 12,56,71,000 | ... | |
| Other Funds . . . | 2,34,75,721 | ... | | 7,98,20,000 | ... | | 7,93,55,000 | ... | |
| Deposits of Branch Lines Companies . . . | 6,39,262 | ... | | 14,55,000 | ... | | 24,30,000 | ... | |
| Sinking Funds for Central Loans . . . . | 73,00,000 | ... | | 1,54,00,000 | ... | | 1,54,00,000 | ... | |
| Other Sinking Fund Deposits | 2,89,166 | ... | | 3,01,000 | ... | | 3,13,000 | ... | |
| Gold Standard Reserve . | ... | 1,18,69,08,845 | | ... | 93,53,83,000 | | ... | 1,22,46,72,000 | |
| Paper Currency Reserve . | ... | 1,05,86,73,113 | | 7,05,00,000 | 37,00,43,000 | | 15,00,00,000 | 5,84,87,000 | |
| Consols Depreciation Fund . | ... | 35,20,191 | | ... | ... | | ... | ... | |
| Departmental and Judicial Deposits . . . | 87,44,05,035 | ... | | 74,20,88,000 | ... | | 71,34,05,000 | ... | |
| Advances . . . . | 17,67,55,787 | 2,13,59,544 | | 19,59,88,000 | 2,46,01,000 | | 17,70,15,000 | 83,06,000 | |
| Suspense Accounts . . | 28,78,53,872 | ... | | 2,86,73,000 | ... | | 5,99,000 | ... | |
| Exchange on Remittance Account . . . | ... | ... | | 13,35,72,000 | ... | | 10,48,59,000 | ... | |
| Miscellaneous . . . | 1,14,16,736 | 1,70,28,222 | | 8,85,55,000 | 96,34,000 | | 17,06,29,000 | 1,05,99,000 | |
| Total . | 1,49,46,35,286 | 2,28,74,89,915 | 3,78,21,25,201 | 1,47,45,25,000 | 1,33,96,61,000 | 2,81,41,86,000 | 1,53,97,36,000 | 1,30,20,64,000 | 2,84,18,00,000 |
| Net . | | | **0** | | | **17,98,25,000** | | | **27,61,27,000** |
| Carried over . | 5,49,11,02,592 | 2,31,51,44,772 | | 5,27,87,51,000 | 1,52,36,96,000 | | 5,14,29,20,000 | 1,52,30,68,000 | |

## Central Government, in India and in England.

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| Expenditure (from Statement B in Part I for Revised and Budget and Part II for Accounts) . | R<br>2,00,31,18,395 | R<br>30,96,45,093 | R<br>2,31,27,63,488 | R<br>1,10,72,11,000 | R<br>31,25,98,000 | R<br>1,41,98,09,000 | R<br>1,10,81,51,000 | R<br>31,48,49,000 | R<br>1,42,30,00,000 |
| *Add*—Provincial Surpluses transferred to "Deposits" | 7,66,34,510 | ... | 7,66,34,510 | | | | | | |
| *Deduct*—Provincial Deficits charged to "Deposits" | *6,77,34,416* | ... | *6,77,34,416* | | | | | | |
| Total . | 2,01,20,18,489 | 30,96,45,093 | 2,32,16,63,582 | 1,10,72,11,000 | 31,25,98,000 | 1,41,98,09,000 | 1,10,81,51,000 | 31,48,49,000 | 1,42,30,00,000 |
| **Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue—** | | | | | | | | | |
| Construction of State Railways . . | 8,30,66,137 | 17,58,22,774 | 25,88,88,911 | 8,84,40,000 | 14,17,04,000 | 23,01,44,000 | 11,54,00,000 | 18,46,00,000 | (a) 30,00,00,000 |
| Payments for discharge of debentures | 7,96,214 | 49,20,000 | 57,16,214 | ... | 5,00,000 | 5,00,000 | ... | 3,60,49,000 | 3,60,49,000 |
| Construction of Irrigation Works . . | 65,32,832 | 1,50,363 | 66,83,195 | 3,35,000 | 2,85,000 | 6,20,000 | 2,69,000 | ... | (b) 2,69,000 |
| Capital outlay on Indian Postal and Telegraph Department . . . | ... | ... | ... | 1,28,06,000 | ... | 1,28,06,000 | 1,45,00,000 | ... | (b) 1,45,00,000 |
| Initial expenditure on new Capital at Delhi | 1,05,18,545 | 20,56,466 | 1,25,75,011 | 1,22,95,000 | 17,15,000 | 1,40,10,000 | 1,81,90,000 | 18,10,000 | (c) 2,00,00,000 |
| **Permanent Debt Discharged—** | | | | | | | | | |
| *Rupee Debt* — | | | | | | | | | |
| 5½ p. c. War Bonds, 1925 | 1,87,000 | ... | | ... | ... | | ... | ... | |
| Do. Do. 1928 | 22,49,500 | ... | | ... | ... | | ... | ... | |
| 5 p. c. War Loan, 1929-47 | 40,93,900 | ... | | 64,86,000 | ... | | 1,14,41,000 | ... | |
| 5 p. c. Loan, 1945-55 . | 67,49,100 | ... | | 1,15,13,000 | ... | | 83,90,000 | ... | |
| 4 p. c. Loans . . | 12,00,300 | ... | | 12,00,000 | ... | | 12,00,000 | ... | |
| 3½ p. c. Loans . . | 6,174 | ... | | 24,000 | ... | | 8,000 | ... | |
| 3 p. c. Loans . . | 82,100 | ... | | 3,50,000 | ... | | 3,50,000 | ... | |
| Total . | 1,45,68,074 | ... | 1,45,68,074 | 1,95,73,000 | ... | 1,95,73,000 | 2,13,89,000 | ... | 2,13,89,000 |
| Net . | | | 0 | | | 0 | | | 0 |
| **Temporary Debt Discharged—** | | | | | | | | | |
| 5½ p. c. War Bonds, 1920 | 18,50,11,640 | ... | | 45,00,000 | ... | | 10,00,000 | ... | |
| Do. Do. 1921 | 9,35,83,550 | ... | | 15,10,00,000 | ... | | 20,00,000 | ... | |
| Do. Do. 1922 | 4,73,825 | ... | | 3,56,31,000 | ... | | 7,50,00,000 | ... | |
| Do. Do. 1923 | 46,775 | ... | | ... | ... | | ... | ... | |
| Treasury Bills— | | | | | | | | | |
| Issued to public . . | 77,15,35,000 | ... | | 1,20,92,00,000 | ... | | 1,35,00,00,000 | ... | |
| Do. Paper Currency Reserve . . | 10,09,00,000 | ... | | 66,32,00,000 | ... | | 54,21,00,000 | ... | |
| Other Temporary Loans . | 3,00,00,000 | ... | | 15,00,00,000 | ... | | ... | ... | |
| Total . | 1,18,15,50,790 | ... | 1,18,15,50,790 | 2,21,35,31,000 | ... | 2,21,35,31,000 | 1,97,01,00,000 | ... | 1,97,01,00,000 |
| Net . | | | 0 | | | 0 | | | 26,87,46,000 |
| **Unfunded Debt—** | | | | | | | | | |
| Post Office Cash Certificates . . . | 1,49,61,657 | ... | | 91,78,000 | ... | | 3,00,00,000 | ... | |
| Special Loans . . | 4,573 | ... | | 5,000 | ... | | 5,000 | ... | |
| Deposits of Service Funds | 15,00,619 | 5,604 | | 15,08,000 | ... | | 16,00,000 | ... | |
| Savings Bank Deposits . | 19,74,81,717 | ... | | 21,17,38,000 | ... | | 19,99,14,000 | ... | |
| Total . | 21,39,51,566 | 5,604 | 21,39,57,170 | 22,24,29,000 | ... | 22,24,29,000 | 23,15,19,000 | ... | 23,15,19,000 |
| Net . | | | 0 | | | 0 | | | 0 |
| **Deposits and Advances—** | | | | | | | | | |
| Deposits of Local Funds— | | | | | | | | | |
| District Funds . . | 10,92,81,502 | ... | | 12,77,36,000 | ... | | 12,96,20,000 | ... | |
| Other Funds . . | 2,19,06,210 | ... | | 8,25,35,000 | ... | | 8,07,97,000 | ... | |
| Deposits of Branch Line Companies . . | 9,04,272 | ... | | 14,96,000 | ... | | 24,98,000 | ... | |
| Sinking Funds for Central Loans . . . | 1,07,65,545 | ... | | 1,36,75,000 | ... | | 1,70,24,000 | ... | |
| Gold Standard Reserve . | ... | 1,18,68,65,528 | | ... | 93,53,83,000 | | ... | 1,22,46,72,000 | |
| Paper Currency Reserve . | ... | 1,05,86,73,113 | | 7,05,00,000 | 37,00,43,000 | | 15,00,00,000 | 5,84,87,000 | |
| Consols Depreciation Fund | ... | 35,21,857 | | ... | ... | | ... | ... | |
| Adjustment of exchange on revaluation of Gold and Sterling Securities in Paper Currency Reserve . | 17,47,36,516 | ... | | ... | ... | | ... | ... | |
| Departmental and Judicial Deposits . . | 88,21,75,088 | ... | | 75,52,12,000 | ... | | 70,83,36,000 | ... | |
| Advances . . . | 19,26,41,692 | 3,17,18,964 | | 21,54,54,000 | 2,31,20,000 | | 17,35,38,000 | 81,79,000 | |
| Suspense Accounts . . | 60,67,154 | ... | | 2,90,06,000 | ... | | 11,70,000 | ... | |
| Exchange on Remittance Account . . . | 28,07,96,418 | ... | | ... | ... | | ... | ... | |
| Miscellaneous . . | 4,03,897 | 82,75,614 | | 1,000 | 1,03,00,000 | | 2,000 | 1,15,50,000 | |
| Total . | 1,67,96,78,194 | 2,28,90,55,076 | 3,96,87,33,270 | 1,29,55,15,000 | 1,33,88,46,000 | 2,63,43,61,000 | 1,26,27,85,000 | 1,30,28,88,000 | 2,56,56,73,000 |
| Net . . | | | 18,66,06,069 | | | 0 | | | 0 |
| Carried over . | 5,20,26,80,841 | 2,78,16,55,376 | | 4,97,21,35,000 | 1,79,56,48,000 | | 4,74,23,03,000 | 1,84,01,96,000 | |

(a) Of this amount, R2,47,000 is non-voted and the balance of R29,97,53,000 is voted.
(b) The whole of this amount is voted.
(c) Of this amount, R3,35,000 is non-voted and the balance of R1,96,65,000 is voted.

## C.—Statement of Receipts and Disbursements of the

| | Accounts, 1920-21. | | | Revised Estimate, 1921- | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | R. | R | R | R | R | R | R | R | R |
| Brought forward . | 5,49,11,02 392 | 2,31,51,44,772 | | 5,27,87,51,000 | 1,52,33,96,000 | | 5,14,29,20,000 | 1,52,30,68,000 | |
| **Loans and Advances by the Central Government** . . . | 33,46,661 | ... | 33,46,661 | 30,58,000 | ... | 30,58,000 | 28,74,000 | ... | 28,74,000 |
| Net . | | | **12,75,376** | | | **0** | | | **9,74,000** |
| **Loans between Central and Provincial Governments** . . | | | | 78,50,000 | ... | 78,50,000 | 1,04,59,000 | ... | 1,04,59,000 |
| Net . | | | | | | **0** | | | **0** |
| **Loans and Advances by Provincial Governments** . . . | 2,79,39,348 | ... | 2,79,39,348 | | | | | | |
| Net . | ... | ... | **2,27,057** | | | | | | |
| **Remittances—** | | | | | | | | | |
| Inland Money Orders . | 95,37,16,465 | ... | | 85,50,00,000 | ... | | 87,00,00,000 | ... | |
| Other Local Remittances . | 1,91,70,512 | ... | | 6,57,40,000 | ... | | 5,84,77,000 | ... | |
| Other Departmental Accounts . . . | 88,615 | ... | | ... | ... | | ... | ... | |
| Net Receipts by Civil Treasuries from— | | | | | | | | | |
| Posts and Telegraphs . | 1,94,13,880 | ... | | ... | ... | | ... | ... | |
| Railways . . . | 13,53,90,285 | ... | | 7,30,81,000 | .. | | 5,66,62,000 | ... | |
| Net Receipts from Civil Treasuries by— | | | | | | | | | |
| Posts and Telegraphs . | ... | ... | | 5,20,00,000 | ... | | 1,87,79,000 | ... | |
| Marine . | 2,77,99,200 | ... | | 2,43,85,000 | ... | | 2,04,42,000 | ... | |
| Army and Military Works . . . | 79,90,33,708 | ... | | 53,75,17,000 | ... | | 45,89,78,000 | ... | |
| Remittance Account between England and India— | | | | | | | | | |
| Transfers through Paper Currency Reserve . . | 50,89[illegible] | 36,50,14,786 | | ... | 2,49,97,000 | | ... | 5,24,87,000 | |
| Transfers through Gold Standard Reserve . . | ... | ... | | ... | ... | | ... | 12,20,00,000 | |
| Purchase of Gold . . | 8,2[illegible],73,141 | ... | | 11,00,000 | ... | | ... | ... | |
| Purchase of Silver . . | 6,50,029 | ... | | 14,00 | ... | | ... | ... | |
| Iraq drawings . . . | .. | ... | | ... | 5,10,00,000 | | ... | 6,00,00,000 | |
| War Office transactions . | 25,32,28,030 | 54,66,75,226 | | | 11,34,33,000 | | ... | 5,67,00,000 | |
| Other transactions . . | 18,44,64,010 | 6,97,42,607 | | 7,79,42,000 | 15,11,95,000 | | 4,43,29,000 | 5,34,47,000 | |
| Total . | 2,46,62,22,765 | 98,14,32,619 | 3,44,76,55,384 | 1,68,22,80,000 | 34,06,25,000 | 2,02,29,05,000 | 1,52,76,67,000 | 35,06,34,000 | 1,87,83,01,000 |
| Net . | | | **15,29,849** | | | **6,58,65,000** | | | **35,73,000** |
| **Secretary of State's Bills drawn** . . | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Sterling Transfers on London drawn** . | 30,98,80,000 | ... | 30,98,80,000 | ... | ... | ... | ... | ... | ... |
| **Balances of Provincial Governments** . | 7,66,34,510 | ... | 7,66,34,510 | ... | ... | ... | ... | ... | ... |
| Net . | ... | | **86,68,098** | | | **0** | | | **0** |
| Total Receipts . . | 3,37,51,25,676 | 3,29,65,77,391 (a) | | 6,97,19,39,000 | 1,86,43,21,000 (b) | | 6,68,39,20,000 | 1,87,37,02,000 (b) | |
| Opening Balance . . | 26,47,59,962 | 11,93,73,931 | | 13,83,56,901 | 7,20,98,319 | | 11,88,74,901 | 7,00,27,319 | |
| GRAND TOTAL . | 8,63,98,85,638 | 3,41,65 51,322 | | 7,11,02,95,901 | 1 93,64,19,319 | | 6,80,27,94,901 | 1,94,37,29,319 | |

(a) Of this amount, R5,511 represents the funds of the Gold Standard Reserve.
(b) Of this amount, R48,828 represents the funds of the Gold Standard Reserve.

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

M. F. GAUNTLETT,
*Auditor General.*

## Central Government, in India and in England—*continued.*

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | R | R | R | R | R | R | R | R | R |
| Brought forward | 5,20,26,80,841 | 2,78,16,55,376 | | 4,97,21,35,000 | 1,79,56,48,000 | | 4,74,23,03,000 | 1,84,01,96,000 | |
| **Loans and Advances by the Central Government** | 20,71,285 | ... | 20,71,285 | 33,30,000 | ... | 33,30,000 | 19,00,000 | ... | 19,00,000 |
| Net | | | 0 | | | 2,72,000 | | | |
| **Loans between Central and Provincial Governments** | | | | 6,70,50,000 | ... | 6,70,50,000 | 6,54,59,000 | ... | 6,54,59,000 |
| Net | | | | | | 5,92,00,000 | | | 5,50,00,000 |
| **Loans and Advances by Provincial Governments** | 2,77,12,291 | ... | 2,77,12,291 | | | | | | |
| Net | | | 0 | | | | | | |
| **Remittances—** | | | | | | | | | |
| Inland Money Orders | 95,27,19,307 | ... | | 85,00,00,000 | ... | | 87,00,00,000 | ... | |
| Other Local Remittances | ... | ... | | 6,56,02,000 | ... | | 5,89,86,000 | ... | |
| Other Departmental Accounts | 18,184 | ... | | 14,000 | ... | | 1,28,000 | ... | |
| Net Payments into Civil Treasuries by— | | | | | | | | | |
| Posts and Telegraphs | 1,97,69,119 | ... | | ... | ... | | ... | ... | |
| Railways | 12,12,42,731 | ... | | 7,30,81,000 | ... | | 5,66,62,000 | ... | |
| Net Issues from Civil Treasuries to | | | | | | | | | |
| Posts and Telegraphs | | ... | | 5,20,00,000 | ... | | 1,87,79,000 | | |
| Marine | 2,76,01,849 | ... | | 2,43,86,000 | ... | | 2,04,42,000 | ... | |
| Army and Military Works | 76,64,05,951 | ... | | 53,75,17,000 | ... | | 45,89,78,000 | ... | |
| Remittance Account between England and India— | | | | | | | | | |
| Transfers through Paper Currency Reserve | 36,50,65,674 | ... | | 2,42,97,000 | ... | | 5,84,87,000 | ... | |
| Transfers through Gold Standard Reserve | ... | ... | | ... | ... | | 12,20,00,000 | ... | |
| Purchase of Gold | 1,27,56,864 | 6,72,56,958 | | ... | 11,00,000 | | ... | ... | |
| Purchase of Silver | 2,302 | 7,03,654 | | ... | 14,000 | | ... | ... | |
| Iraq drawings | ... | ... | | 5,62,95,000 | ... | | 6 00,00,000 | ... | |
| War Office transactions | 78,09,39,760 | 56,25,617 | | 10 85,00,000 | ... | | 5,67 33,000 | ... | |
| Other transactions | 15,45,76,176 | 17,14 41 358 | | 12,05,14,000 | 4 30,20,000 | | 5 91, 0,000 | 3,43,63,000 | |
| Total | 3,30,10,97,908 | 24,50,27,627 | 3,44,61,25,535 | 1,91,29,06,000 | 4,41,34,000 | 1,95,70,40,000 | 1,84,03,65,000 | 3,43,63,000 | 1,87,47,28,000 |
| Net | | | 0 | | | 0 | | | 0 |
| **Secretary of State's bill paid** | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Sterling Transfers on London paid** | ... | 31,77,70,000 | 31,77,70,000 | ... | ... | ... | ... | ... | ... |
| **Balances of Provincial Governments** | 6,79,66,412 | ... | 6,79,66,412 | 3,60,00,000 | 2,66,10,000 | 6,26,10,000 | 1,50,00,000 | 2,85,60,000 | 4,35,60,000 |
| Net | | | 0 | | | 6,26,10 000 | | | 4,35,60,000 |
| Total Disbursements | 8,50,15,28,737 | 3,34,44,53,003 | | 6,99,14,21,000 | 1,86,63,92,000 | | 6,66,50 27,000 | 1,90,31,19,000 | |
| Closing Balance | 13,83,56,901 | (b) 7,20,98,319 | | 11,88,74,901 | (b) 7,00,27,319 | | 13,77,67,901 | (b) 4,06,10,319 | |
| GRAND TOTAL | 8,63,98 85,638 | 3,41,65,51,322 | | 7,11 02,95,901 | 1,93,64 19,319 | | 6,80,27,94,901 | 1,94,37,29,319 | |

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

## D.—Abstract Statement of the Receipts and Disbursements of the Central Government in India and in England.

| REVENUE AND EXPENDITURE. | | Revised Estimate, 1921-22. | | Budget Estimate, 1922-23. | |
|---|---|---|---|---|---|
| | | Net Receipts. | Net Charges. | Net Receipts. | Net charges. |
| | | R | R | R | R |
| Principal Heads of Revenue | Customs | 33,65,26,000 | ... | 50,61,16,000 | ... |
| | Taxes on Income | 17,47,74,000 | ... | 21,62,47,000 | ... |
| | Salt | 4,82,41,000 | ... | 9,61,03,000 | ... |
| | Opium | 1,15,33,000 | ... | 1,21,09,000 | ... |
| | Other heads | 1,52,04,000 | ... | 1,49,76,000 | ... |
| | TOTAL | 58,63,28,000 | ... | 84,55,51,000 | ... |
| Commercial Services | Railways | ... | 8,01,77,000 | 4,87,41,000 | ... |
| | Irrigation | ... | 6,36,000 | ... | 3,97,000 |
| | Posts and Telegraphs | ... | 99,90,000 | 67,96,000 | ... |
| Debt Services | | ... | 12,72,68,000 | ... | 14,35,78,000 |
| Civil Administration | Civil Administration | ... | 8,23,52,000 | ... | 9,14,96,000 |
| Currency, Mint and Exchange | Currency | ... | 68,64,000 | ... | 63,23,000 |
| | Mint | ... | 4,31,000 | ... | 2,74,000 |
| | Exchange | ... | 9,03,00,000 | ... | 9,95,50,000 |
| Civil Works | Civil Works, etc. | ... | 1,41,31,000 | ... | 1,58,62,000 |
| Miscellaneous Civil Services | Famine Relief | ... | 4,50,000 | ... | 27,000 |
| | Superannuation | ... | 2,19,10,000 | ... | 2,24,24,000 |
| | Miscellaneous | 5,65,82,000 | ... | ... | 38,90,000 |
| | Other Heads | ... | 1,06,91,000 | ... | 83,59,000 |
| Military Services | Army—Effective | ... | 52,92,74,000 | ... | 49,54,21,000 |
| | Army—Non-effective | ... | 6,16,78,000 | ... | 6,97,51,000 |
| | Marine | ... | 84,26,000 | ... | 1,13,73,000 |
| | Military works | ... | 5,07,55,000 | ... | 4,52,55,000 |
| Contributions and Assignments to Central Government by Provincial Governments | | 12,22,78,000 | ... | 8,57,36,000 | ... |
| | TOTAL | 76,51,88,000 | 1,09,53,33,000 | 98,68,24,000 | 1,01,39,80,000 |
| | Deficit | 33,01,45,000 | | 2,71,56,000 | |

| | | Accounts, 1920-21. | | Revised Estimate, 1921-22. | | Budget Estimate, 1922-23. | |
|---|---|---|---|---|---|---|---|
| | | Net Receipts. | Net Charges. | Net Receipts. | Net Charges. | Net Receipts. | Net Charges. |
| | | R | R | R | R | R | R |
| | Deficit | ... | 26,00,85,276 | ... | 33,01,45,000 | ... | 2,71,56,000 |
| Capital Account | Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue:— | | | | | | |
| | Payments for discharge of Debentures | ... | 57,16,214 | ... | 5,00,000 | ... | 3,60,49,000 |
| | Capital contributed by Railway Companies and Indian States towards construction of State Railways | ... | ... | 64,65,000 | ... | 3,86,74,000 | ... |
| | Construction of Irrigation Works | ... | 66,83,195 | ... | 6,20,000 | ... | 2,69,000 |
| | Construction of State Railways | ... | 25,88,88,911 | ... | 23,01,44,000 | .. | 30,00,00,000 |
| | Capital outlay on Indian Postal and Telegraph Department | ... | ... | ... | 1,28,06,000 | ... | 1,45,00,000 |
| | Initial expenditure on new Capital at Delhi | ... | 1,25,75,011 | ... | 1,40,10,000 | ... | 2,00,00,000 |
| Debt, Deposits, Advances and Remittances. | Permanent Debt (net) | 28,30,14,560 | ... | 24,66,08,000 | ... | 40,46,93,000 | ... |
| | Temporary Debt (net) | 24,03,92,938 | ... | 14,55,16,000 | ... | ... | 26,87,46,000 |
| | Unfunded Debt (net) | 2,50,60,125 | ... | 4,44,75,000 | ... | 3,07,15,000 | ... |
| | Loans and Advances by Central Government (net) | 12,75,376 | ... | ... | 2,72,000 | 9,74,000 | ... |
| | Loans and Advances by Provincial Governments (net) | 2,27,057 | ... | ... | ... | ... | ... |
| | Loans between Central and Provincial Governments (net) | ... | ... | ... | 5,22,00,000 | ... | 5,50,00,000 |
| | Deposits and Advances (net) | ... | 18,66,08,069 | 17,98,25,000 | ... | 27,61,27,000 | ... |
| | Remittances (net) | 15,29,849 | ... | 6,58,65,000 | ... | 35,73,000 | ... |
| | Secretary of State's Bills drawn | ... | ... | .. | ... | ... | ... |
| | Secretary of State's Bills paid | ... | ... | ... | ... | ... | ... |
| | Sterling Transfers on London drawn | 30,98,80,000 | ... | ... | ... | ... | ... |
| | Sterling Transfers on London paid | ... | 31,77,70,000 | ... | ... | ... | ... |
| | Balances of Provincial Governments (net) | 86,68,038 | .. | ... | 6,26,10,000 | ... | 4,35,60,000 |
| Cash Balance | Opening Balance | 38,47,33,853 | ... | 21,04,55,220 | ... | 18,89,02,220 | ... |
| | Closing Balance | ... | 21,04,55,220 | ... | 18,89,02,220 | ... | 17,83,78,220 |
| | TOTAL | 1,25,87,81,896 | 1,25,87,81,896 | 89,92,09,220 | 89,92,09,220 | 94,36,58,220 | 94,36,58,220 |

M. F. GAUNTLETT,
*Auditor General.*

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

# PART II.

ACCOUNTS . . . . . 1920-21

---

## CONTENTS.

---


| | PAGES. |
|---|---|
| I.—GENERAL STATEMENT of the REVENUE and EXPENDITURE charged to REVENUE of the GOVERNMENT of INDIA, in INDIA and in ENGLAND . . . . . | 38—39 |
| A.—STATEMENT of the REVENUE of INDIA, in INDIA and in ENGLAND . . . . . | 40 |
| B.—STATEMENT of the EXPENDITURE charged to the REVENUES of INDIA, in INDIA and in ENGLAND . . . . . | 41—42 |
| C.—STATEMENT of REVENUE, EXPENDITURE and BALANCES of PROVINCIAL GOVERNMENTS . | 43 |
| D.—ABSTRACT STATEMENT of the NET REVENUE and NET EXPENDITURE of the GOVERNMENT of INDIA, in INDIA and in ENGLAND . . . . . | 44 |


LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

## I.—General Statement of the Revenue and Expenditure charged to

| | For details, *vide* Statement. | Accounts, 1920-1921. |
|---|---|---|
| | | £ |
| **Revenue—** | | |
| Principal Heads of Revenue— | | |
| Land Revenue | A | 31,97,48,469 |
| Opium | „ | 3,53,41,234 |
| Salt | „ | 6,76,45,508 |
| Stamps | „ | 10,95,68,483 |
| Excise | „ | 20,43,65,359 |
| Customs | „ | 31,89,85,157 |
| Income Tax | „ | 22,19,28,478 |
| Other Heads | „ | 7,51,00,644 |
| TOTAL PRINCIPAL HEADS | ... | 1,35,26,83,132 |
| Interest | A | 3,57,60,085 |
| Posts and Telegraphs | „ | 9,62,00,473 |
| Mint | „ | 73,48,084 |
| Receipts by Civil Departments | „ | 3,55,57,236 |
| Miscellaneous | „ | 12,35,10,461 |
| Railways: Net Receipts | „ | 25,01,45,098 |
| Irrigation | „ | 8,79,68,212 |
| Other Public Works | „ | 76,18,590 |
| Military Receipts | „ | 6,47,86,932 |
| TOTAL REVENUE | ... | 2,06,15,78,306 |
| DEFICIT | ... | 26,00,85,276 |
| TOTAL | ... | 2,32,16,63,582 |

M. F. GAUNTLETT,
*Auditor General.*

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

## Revenue, of the Government of India, in India and in England.

| | For details, *vide* Statement. | Accounts, 1920-1921. |
|---|---|---|
| **Expenditure—** | | R |
| Direct Demands on the Revenues | B | 22,27,14,381 |
| Interest | „ | 12,75,80,455 |
| Posts and Telegraphs | „ | 9,43,66,774 |
| Mint | „ | 25,46,201 |
| Salaries and Expenses of Civil Departments | „ | 44,90,21,028 |
| Miscellaneous Civil Charges | „ | 12,74,97,667 |
| Famine Relief and Insurance | „ | 1,50,00,000 |
| Railways: Interest and Miscellaneous Charges | „ | 19,37,65,251 |
| Irrigation | „ | 7,01,79,256 |
| Other Public Works | „ | 12,77,63,224 |
| Military Services | „ | 88,23,24,251 |
| TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL | ... | 2,31,27,63,488 |
| *Add*—Provincial Surpluses: that is, portion of allotments to Provincial Governments not spent by them in the year. | End of B | 7,66,34,510 |
| *Deduct*—Provincial Deficits: that is, portion of Provincial Expenditure defrayed from Provincial Balances. | „ | *6,77,34,416* |
| TOTAL EXPENDITURE CHARGED TO REVENUE | ... | 2,32,16,63,582 |

E. M. COOK,

*Secretary to the Government of India.*

# A.—Statement of the Revenue of India, in India and in England.

| HEADS OF REVENUE. | Accounts, 1920-1921. | | | | |
|---|---|---|---|---|---|
| | India. | England. | Total. | Distribution of Total between | |
| | | | | Imperial. | Provincial. |
| **Principal Heads of Revenue—** | R | R | R | R | R |
| I.—Land Revenue | 31,97,48,469 | ... | 31,97,48,469 | 15,51,83,413 | 16,45,65,056 |
| II.—Opium | 3,53,41,234 | ... | 3,53,41,234 | 3,53,41,234 | ... |
| III.—Salt | 6,76,45,308 | ... | 6,76,45,308 | 6,76,45,308 | ... |
| IV.—Stamps | 10,95,68,483 | ... | 10,95,68,483 | 5,59,99,225 | 5,35,69,258 |
| V.—Excise | 20,43,65,359 | ... | 20,43,65,359 | 5,69,81,328 | 14,73,84,031 |
| VI.—Provincial Rates | 6,33,025 | ... | 6,33,025 | 1,192 | 6,31,833 |
| VII.—Customs | 31,89,85,157 | ... | 31,89,85,157 | 31,89,85,157 | ... |
| VIII.—Income Tax | 22,19,28,478 | ... | 22,19,28,478 | 15,67,39,391 | 6,51,89,087 |
| IX.—Forest | 5,41,43,496 | ... | 5,41,43,496 | 13 81,930 | 5,27,61,566 |
| X.—Registration | 1,12,03,534 | ... | 1,12,03,534 | 1,59,641 | 1,10,43,893 |
| XI.—Tributes from Indian States | 91,20,589 | ... | 91,20,589 | 91,20,589 | ... |
| Total | 1,35,26,83,132 | ... | 1,35,26,83,132 | 85,75,38,408 | 49,51,44,724 |
| XII.—Interest | 2,12,36,653 | 1,45,23,432 | 3,57,60,085 | 2,98,27,782 | 59,32,303 |
| XIII.—Posts and Telegraphs | 9,61,14,116 | 86,360 | 9,62,00,476 | 9,62,00,476 | ... |
| XV.—Mint | 73,46,634 | 1,450 | 73,48,084 | 73,48,084 | ... |
| **Receipts by Civil Departments—** | | | | | |
| XVI.—Law and Justice { Courts | 72,87,611 | ... | 72,87,611 | 3,86,184 | 69,01,427 |
| { Jails | 63,28,277 | ... | 63,28,277 | 9,82,970 | 53,45,307 |
| XVII.—Police | 36,82,650 | ... | 36,82,650 | 12,96,970 | 23,85,680 |
| XVIII.—Ports and Pilotage | 24,76,700 | ... | 24,76,700 | ... | 24,76,700 |
| XIX.—Education | 54,00,899 | ... | 54,00,899 | 1,11,917 | 52,88,982 |
| XXA.—Medical | 23,02,545 | 1,556 | 23,04,101 | 49 985 | 22,54,116 |
| XXB.—Sanitation | 11,21,524 | ... | 11,21,524 | 5,42,006 | 5,79,518 |
| XXIA.—Agriculture | 26,05,001 | ... | 26,05,001 | 5,29,913 | 20,75,088 |
| XXIB.—Scientific and Miscellaneous Departments | 43,28,473 | 22,000 | 43,50,473 | 5,07,737 | 38,22,736 |
| Total | 3,55,33,680 | 23,556 | 3,55,57,236 | 44,27,882 | 3,11,29,354 |
| **Miscellaneous—** | | | | | |
| XXII.—Receipts in aid of Superannuation, etc. | 31,44,027 | 4,09,208 | 35,53,235 | 18,46,842 | 17,06,393 |
| XXIII.—Stationery and Printing | 21,40,278 | ... | 21,40,278 | 9,32,601 | 12,07,677 |
| XXIV.—Exchange | ... | ... | ... | ... | ... |
| XXV.—Miscellaneous | 11,14,93,484 | 63,23,464 | 11,78,16,948 | 2,42,89,068 | 9,35,27,880 |
| Total | 11,67,77,789 | 67,32,672 | 12,35,10,461 | 2,70,68,511 | 9,64,41,950 |
| **Railways—** | | | | | |
| XXVI.—State Railways (Gross Receipts) | 80 94 19.985 | 4,86,069 | 80,99.06,054 | 80,97,75.232 | 1,30.822 |
| *Deduct*—Working Expenses | *54.52,84,348* | ... | *54,52 84.348* | *54,51 37,461* | *1,46,887* |
| Surplus profits paid to Companies, etc. | *1,72,51,527* | ... | *1,72,51,527* | *1,72,51,527* | ... |
| Net Receipts | 24,68,84,110 | 4,86,069 | 24,73,70,179 | 24,73,86,244 | —16,065 |
| XXVIII.—Subsidised Companies (Government share of surplus profits and Repayment of advances of Interest) | 6,84,523 | 21,40,397 | 27,74,919 | 27,74,919 | ... |
| Total | 24,75,18,632 | 26,26,466 | 25,01,45,098 | 25,01,61,163 | —16,065 |
| **Irrigation—** | | | | | |
| XXIX.—Major Works: Direct Receipts | 5,52,03.908 | ... | 5.52,03.908 | 2,36,46,751 | 3,15,57,157 |
| Portion of Land Revenue due to Irrigation | 2,85,63,861 | ... | 2,85,63,861 | 1,55,11,232 | 1,30,52,629 |
| XXX.—Minor Works and Navigation | 42,00,443 | ... | 42,00,443 | 15,65,181 | 26,35,262 |
| Total | 8,79,68,212 | ... | 8,79,68,212 | 4,07,23,164 | 4,72,45,048 |
| **Other Public Works—** | | | | | |
| XXXI.—Civil Works | 76,18,590 | ... | 76,18,590 | 11,27,368 | 64,91,222 |
| **Military Receipts—** | | | | | |
| XXXII.—Army: Effective | 5,07,93,339 | 31,54,947 | 5,39,48,286 | 5,39,48,286 | ... |
| Non-Effective | 7,01,705 | 4,93,709 | 11,95,414 | 11,95,414 | ... |
| | | | | | ... |
| XXXIII.—Marine | 79,56,768 | ... | 79,56,768 | 79,56,768 | ... |
| XXXIV.—Military Works | 16,86,464 | ... | 16,86,464 | 16,86,464 | ... |
| Total | 6,11,38,276 | 36,48,656 | 6,47,86,932 | 6,47,86,932 | ... |
| **Transfers between Imperial and Provincial Revenues** | ... | ... | ... | —2,28,77,479 | + 2,28,77,479 |
| TOTAL REVENUE | 2,03,89,35,714 | 2,76,42,592 | 2,06,15,78,306 | 1,35,63,32,291 | 70,52,46,015 |

# B.—Statement of the Expenditure charged to the Revenues of India, in India and in England.

| HEADS OF EXPENDITURE. | Accounts, 1920-21. | | | | |
|---|---|---|---|---|---|
| | India. | England. | Total. | Distribution of Total between | |
| | | | | Imperial. | Provincial. |
| | R | R | R | R | R |
| **Direct Demands on the Revenues—** | | | | | |
| 1.—Refunds and Drawbacks | 3,23,89,677 | ... | 3,23,89,677 | 2,39,38,130 | 84,51,547 |
| 2.—Assignments and Compensations | 1,94,56,175 | ... | 1,94,56,175 | 85,16,763 | 1,09,39,412 |
| Charges in respect of Collection, *viz.* :— | | | | | |
| 3.—Land Revenue | 8,09,88,431 | 30,438 | 8,10,18,869 | 48,78,170 | 7,61,40,699 |
| 4.—Opium (including cost of Production) | 1,23,51,073 | 14,201 | 1,22,63,274 | 1,22,63,274 | ... |
| 5.—Salt (including cost of Production) | 92,90,523 | 40,839 | 93,31,362 | 93,31,362 | ... |
| 6.—Stamps | 15,84,013 | 36,93,460 | 52,77,473 | 39,45,912 | 13,31,561 |
| 7.—Excise | 1,19,92,136 | 7,808 | 1,19,99,944 | 29,21,263 | 90,78,681 |
| 9.—Customs | 56,45,133 | 11,883 | 56,57,016 | 56,57,016 | ... |
| 10.—Income Tax | 21,86,350 | 13,479 | 21,99,829 | 11,58,213 | 10,41,616 |
| 11.—Forest | 3,64,16,948 | 8,04,031 | 3,72,21,019 | 38,36,020 | 3,33,84,999 |
| 12.—Registration | 58,99,743 | ... | 58,99,743 | 49,462 | 58,50,281 |
| Total | 21,81,00,242 | 46,14,139 | 22,27,14,381 | 7,64,95,585 | 14,62,18,796 |
| **Interest—** | | | | | |
| 13.—Interest on Debt | 18,88,86,084 | 7,23,63,875 | 26,12,49,959 | 25,54,64,347 | 57,85,612 |
| *Deduct*—Amounts chargeable to Railways | *9,41,54,057* | *3,77,48,703* | *13,19,02,760* | *13,19,02,760* | ... |
| „ Amounts chargeable to Irrigation | *2,20,57,565* | *12,58,614* | *2,33,16,179* | *2,33,16,179* | ... |
| Remainder chargeable on Ordinary Debt | 7,26,74,462 | 3,33,56,558 | 10,60,31,020 | 10,02,45,408 | 57,85,612 |
| 14.—Interest on other obligations | 2,15,49,435 | ... | 2,15,49,435 | 2,15,49,435 | ... |
| Total | 9,42,23,897 | 3,33,56,558 | 12,75,80,455 | 12,17,94,843 | 57,85,612 |
| 15.—Posts and Telegraphs | 8,55,45,939 | 88,20,835 | 9,43,66,774 | 9,43,66,774 | ... |
| 17.—Mint | 18,99,803 | 6,46,398 | 25,46,201 | 25,46,201 | ... |
| **Salaries and Expenses of Civil Departments—** | | | | | |
| 18.—General Administration | 3,73,16,438 | 1,10,18,804 | 4,83,35,242 | 2,80,47,668 | 2,02,87,574 |
| 19.—Law and Justice { Courts | 6,72,79,167 | 3,884 | 6,72,83,051 | 15,13,768 | 6,57,69,283 |
| 19.—Law and Justice { Jails | 2,49,26,486 | 18,667 | 2,49,45,153 | 41,71,670 | 2,07,73,483 |
| 20.—Police | 12,01,82,662 | 56,045 | 12,02,38,707 | 81,67,602 | 11,20,71,105 |
| 21.—Ports and Pilotage | 40,73,717 | 1,733 | 40,75,450 | 1,733 | 40,73,717 |
| 22.—Education | 7,74,85,334 | 2,20,639 | 7,75,05,973 | 26,86,629 | 7,48,19,344 |
| 23.—Ecclesiastical | 25,34,735 | 3,142 | 25,37,877 | 25,37,877 | ... |
| 24A.—Medical | 2,47,15,577 | 3,01,002 | 2,50,16,579 | 22,04,256 | 2,28,12,323 |
| 24B.—Sanitation | 1,25,91,582 | 21,016 | 1,26,11,598 | 25,60,106 | 1,00,47,492 |
| 25.—Political | 3,42,25,283 | 3,91,174 | 3,46,16,457 | 3,08,96,522 | 37,19,935 |
| 26A.—Agriculture | 1,68,38,073 | 58,466 | 1,68,96,539 | 22,35,234 | 1,46,61,305 |
| 26B.—Scientific and Miscellaneous Departments | 1,39,08,672 | 10,49,730 | 1,49,58,402 | 95,10,880 | 54,47,522 |
| Total | 43,58,76,726 | 1,31,44,302 | 44,90,21,028 | 9,45,39,945 | 35,44,81,083 |
| **Miscellaneous Civil Charges—** | | | | | |
| 27.—Territorial and Political Pensions | 27,34,064 | 1,07,026 | 28,41,090 | 28,41,090 | ... |
| 28.—Civil Furlough and Absentee Allowances | 3,87,227 | 1,00,73,358 | 1,04,60,585 | 1,04,60,585 | ... |
| 29.—Superannuation Allowances and Pensions | 2,61,05,970 | 2,07,95531 | 4,69,01,501 | 2,32,60,164 | 2,36,74,337 |
| 30.—Stationery and Printing | 1,81,27,645 | 28,09,537 | 2,09,87,182 | 87,76,972 | 1,22,10,210 |
| 31.—Exchange | 3,23,39,526 | ... | 3,23,39,526 | 3,23,39,526 | ... |
| 32.—Miscellaneous | 1,51,50,087 | 8,14,696 | 1,59,64,783 | 83,83,155 | 55,81,628 |
| Total | 9,28,44,519 | 3,46,53,148 | 12,74,97,667 | 8,60,31,492 | 4,14,66,175 |
| **Famine Relief and Insurance—** | | | | | |
| 33.—Famine Relief | 26,64,017 | ... | 26,64,017 | 19,98,014 | 6,66,003 |
| 34.—Construction of Protective Railways | —60,841 | ... | —60,841 | —60,841 | ... |
| 35.—Construction of Protective Irrigation Works | 58,74,370 | 96,342 | 59,70,714 | 59,70,714 | ... |
| 36.—Reduction or Avoidance of Debt | 64,26,110 | ... | 64,26,110 | 64,26,110 | ... |
| Total | 1,49,03,658 | 96,342 | 1,50,00,000 | 1,43,33,997 | 6,66,003 |
| Carried over | 94,33,94,784 | 9,53,31,722 | 1,03,87,26,506 | 49,01,08,837 | 54,86,17,669 |

## B.—Statement of the Expenditure charged to the Revenues of India, in India and in England.

| HEADS OF EXPENDITURE. | Accounts, 1920-1921. | | | | |
|---|---|---|---|---|---|
| | India. | England. | Total. | Distribution of Total between | |
| | | | | Imperial. | Provincial. |
| | R | R | R | R | R |
| Brought forward | 94,33,94,784 | 9,53,31,722 | 1,03,87,26,506 | 49,01,08,837 | 54,86,17,669 |
| **Railways—** | | | | | |
| 38.—State Railways: Interest on Debt | 9,41,54,057 | 3,77,48,703 | **13,19,02,760** | 13,19,02,760 | ... |
| Interest on Capital contributed by Companies | 36,49,216 | 2,11,50,806 | **2,48,00,022** | 2,48,00,022 | ... |
| Annuities in purchase of Railways | 54,33,346 | 3,35,73,960 | **3,90,07,306** | 3,90,07,306 | ... |
| Sinking Funds | 4,38,526 | 27,09,768 | **31,48,294** | 31,48,294 | ... |
| 40.—Subsidised Companies: Land, etc. | 5,23,040 | ... | **5,23,040** | 5,09,993 | 13,047 |
| 41.—Miscellaneous Railway Expenditure | —70,05,252 | 13,89,081 | **—56,16,171** | —56,16,466 | 295 |
| Total | 9,71,92,933 | 9,65,72,318 | **19,37,65,251** | 19,37,51,909 | 13,342 |
| **Irrigation—** | | | | | |
| 42.—Major Works: Working Expenses | 2,75,05,200 | 13,843 | **2,75,19,043** | 1,32,49,969 | 1,42,69,074 |
| Interest on Debt | 2,20,57,565 | 12,58,614 | **2,33,16,179** | 1,21,93,819 | 1,11,22,360 |
| 43.—Minor Works and Navigation | 1,93,44,034 | ... | **1,93,44,034** | 52,23,565 | 1,41,20,469 |
| Total | 6,89,06,799 | 12,72,457 | **7,01,79,256** | 3,06,67,353 | 3,95,11,903 |
| **Other Public Works—** | | | | | |
| 44.—Construction of Railways charged to Provincial Revenues | 19,68,447 | ... | **19,68,447** | ... | 19,68,447 |
| 45.—Civil Works | 12,55,32,440 | 2,67,337 | **12,57,99,777** | 1,95,65,217 | 10,62,34,560 |
| Total | 12,75,00,887 | 2,67,337 | **12,77,68,224** | 1,95,65,217 | 10,82,03,007 |
| **Military Services—** | | | | | |
| 46.—Army: Effective | 67,88,98,151 | 7,73,32,372 | **75,62,30,523** | 75,62,30,523 | ... |
| Non-Effective | 2,48,11,966 | 3,18,61,445 | **5,66,73,411** | 5,66,73,411 | ... |
| | 70,37,10,117 | 10,91,93,817 | **81,29,03,934** | 81,29,03,934 | ... |
| 46A.—Marine | 83,20,180 | 57,34,883 | **1,40,55,063** | 1,40,55,063 | ... |
| 47.—Military Works | 5,40,92,695 | 12,72,559 | **5,53,65,254** | 5,53,65,254 | ... |
| Total | 76,61,22,992 | 11,62,01,259 | **88,23,24,251** | 88,23,24,251 | ... |
| Total Expenditure, Imperial and Provincial | 2,00,31,18,395 | 30,96,45,093 | **2,31,27,63,488** | 1,61,64,17,567 | 69,63,45,921 |
| *Add*—Portion of Allotments to Provincial Governments not spent by them in the year | 7,66,34,510 | ... | **7,66,34,510** | ... | 7,66,34,510 |
| *Deduct*—Portion of Provincial Expenditure defrayed from Provincial Balances | *6,77,34,416* | ... | ***6,77,34,416*** | ... | *6,77,34,416* |
| TOTAL EXPENDITURE CHARGED TO REVENUE | 2,01,20,18,489 | 30,96,45,093 | **2,32,16,63,582** | 1,61,64,17,567 | 70,52,46,015 |

## C.—Statement of Revenue, Expenditure and Balances of Provincial Governments.

| | Accounts, 1920-21. |
|---|---|
| | R |
| **Madras—** | |
| Balance on April 1st | 2,05,92,771 |
| Total Revenue | 9,86,42,640 |
| Total Expenditure | 11,33,57,007 |
| Closing Balance | 58,78,404 |
| **Bombay—** | |
| Balance on April 1st | 4,43,94,703 |
| Total Revenue | 20,99,97,562 (a) |
| Total Expenditure | 22,37,64,555 (a) |
| Closing Balance | 3,06,27,710 |
| **Bengal—** | |
| Balance on April 1st | 4,19,97,677 |
| Total Revenue | 8,63,85,547 |
| Total Expenditure | 9,22,97,855 |
| Closing Balance | 3,60,85,369 |
| **United Provinces—** | |
| Balance on April 1st | 2,20,87,355 |
| Total Revenue | 8,62,74,495 |
| Total Expenditure | 9,94,75,117 |
| Closing Balance | 88,86,733 |
| **Punjab—** | |
| Balance on April 1st | 2,59,64,407 |
| Total Revenue | 6,83,02,691 |
| Total Expenditure | 7,49,82,813 |
| Closing Balance | 1,92,84,285 |
| **Burma—** | |
| Balance on April 1st | 1,43,67,482 |
| Total Revenue | 15,96,95,472 |
| Total Expenditure | 8,30,60,962 |
| Closing Balance | 9,10,01,992 |
| **Bihar and Orissa—** | |
| Balance on April 1st | 1,46,42,558 |
| Total Revenue | 3,72,25,046 |
| Total Expenditure | 4,18,16,046 |
| Closing Balance | 1,00,51,558 |
| **Central Provinces—** | |
| Balance on April 1st | 1,33,18,027 |
| Total Revenue | 3,39,74,071 |
| Total Expenditure | 4,21,89,418 |
| Closing Balance | 51,02,680 |
| **Assam—** | |
| Balance on April 1st | 57,08,028 |
| Total Revenue | 1,89,18,942 |
| Total Expenditure | 1,98,04,595 |
| Closing Balance | 48,22,375 |
| **Total—** | |
| Balance on April 1st | 20,30,73,008 |
| Total Revenue | 79,94,16,466 |
| Total Expenditure | 79,07,48,368 |
| Closing Balance | 21,17,41,106 |

(a) Includes receipts from Bombay Development Loan and connected transactions shown in the Capital and Debt sections of the account.

M. F. GAUNTLETT,
*Auditor General.*

E. M. COOK,
*Secretary to the Government of India.*

DELHI,
FINANCE DEPARTMENT,
*March 1, 1922.*

## D.—Abstract Statement of the Net Revenue and Net Expenditure of the Government of India, in India and in England.

| REVENUE AND EXPENDITURE. | | Accounts, 1920-1921. | | | | |
|---|---|---|---|---|---|---|
| | | Revenue. | Expenditure. | | Net Receipts. | Net Charges. |
| | | | Refunds and Assignments. | Cost of Collection and Production. | | |
| **Revenue Heads.** | | R | R | R | R | R |
| Principal Heads of Revenue | Land Revenue (excluding that due to Irrigation) | 31,97,48,469 | 1,22,95,440 | 8,10,18,869 | 22,64,34,160 | |
| | Opium | 3,53,41,234 | 54,186 | 1,22,63,274 | 2,30,23,774 | |
| | Salt | 6,76,45,308 | 96,20,902 | 93,31,362 | 4,86,93,044 | |
| | Stamps | 10,95,68,483 | 13,61,811 | 52,77,473 | 10,29,29,199 | |
| | Excise | 20,43,65,359 | 29,36,497 | 1,19,99,944 | 18,94,28,918 | |
| | Provincial Rates | 6,33,025 | 387 | ... | 6,32,638 | |
| | Customs | 31,89,85,157 | 94,48,700 | 56,57,016 | 30,38,79,441 | |
| | Income Tax | 22,19,28,478 | 1,27,54,156 | 21,99,829 | 20,69,74,493 | |
| | Forest | 5,41,43,496 | 2,54,870 | 3,72,21,019 | 1,66,67,607 | |
| | Registration | 1,12,03,534 | 24,115 | 58,99,743 | 52,79,676 | |
| | Tributes | 91,20,589 | 30,94,788 | ... | 60,25,801 | |
| | TOTAL | 1,35,26,83,132 | 5,18,45,852 | 17,08,68,529 | 1,12,99,68,751 | |
| | Total deduction from Revenue | | 22,27,14,381 | | | |
| **Expenditure Heads.** | | | | | | |
| Debt Services | Interest | 3,57,60,085 | 12,75,80,455 | | ... | 9,18,20,370 |
| Commercial Services | Posts and Telegraphs | 9,62,00,476 | 9,43,66,774 | | 18,33,702 | |
| | Railways | 25,01,45,098 | 19,37,65,251 | | 5,63,79,847 | |
| | Irrigation | 8,79,68,212 | 7,01,79,256 | | 1,77,88,956 | |
| Other Public Works | Civil Works, etc. | 76,18,590 | 12,77,68,224 | | | 12,01,49,634 |
| Mint | Mint | 73,48,084 | 25,46,201 | | 48,01,883 | |
| Civil Departments | Civil Departments | 3,55,57,236 | 44,90,21,028 | | | 41,34,63,792 |
| Miscellaneous Civil Services | Superannuation | 35,53,235 | 4,69,04,501 | | | 4,33,51,266 |
| | Exchange | ... | 3,23,39,526 | | | 3,23,39,526 |
| | Miscellaneous | 11,78,16,948 | 1,39,64,783 | | 10,38,52,165 | |
| | Other heads | 21,40,278 | 3,42,88,857 | | | 3,21,48,579 |
| Famine Relief and Insurance | Famine Relief | ... | 26,64,017 | | | 26,64,017 |
| | Other heads | ... | 1,23,35,983 | | | 1,23,35,983 |
| Military Services | Army — Effective | 5,39,48,286 | 75,62,30,523 | | | 70,22,82,237 |
| | Army — Non-effective | 11,95,414 | 5,66,73,411 | | | 5,54,77,997 |
| | Marine | 79,56,768 | 1,40,55,063 | | | 60,98,295 |
| | Military works | 16,86,464 | 5,53,65,254 | | | 5,36,78,790 |
| | TOTAL | 2,06,15,78,306 | 2,31,27,63,488 | | | 25,11,85,182 |
| Provincial Adjustment | Surplus | ... | 89,00,094 | | | 89,00,094 |
| | Deficit | ... | ... | | | |
| | TOTAL | 2,06,15,78,306 | 2,32,16,63,582 | | | |
| | DEFICIT | | | | | 26,00,85,276 |

M. F. GAUNTLETT,
*Auditor General.*

E. M. COOK,
*Secretary to the Government of India.*

DELHI,
FINANCE DEPARTMENT,
*March 1, 1921.*

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Wednesday, 1st March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE INDIAN FINANCE BILL.

**The Honourable Sir Malcolm Hailey** (Finance Member) : With your permission, Sir, I beg leave :

'To introduce a Bill in the nature of our Annual Finance Bill, the exact title of which will be 'A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.'

The motion was adopted.

**The Honourable Sir Malcolm Hailey** : Sir, I beg to introduce the Bill.

*A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.*

WHEREAS it is expedient to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax ; It is hereby enacted as follows :—

Short title, extent and duration.

**1.** (*1*) This Act may be called the Indian Finance Act, 1922.

(*2*) It extends to the whole of British India, including, except as regards Section 4, the Sonthal Parganas and, except as regards sections 4 and 6, British Baluchistan.

(*3*) Sections 2, 5 and 7 shall remain in force only up to the 31st day of March, 1923.

Enhancement of salt duty.

**2.** With effect from the first day of March, 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of two rupees and eight annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section. XII of 1882.

Amendment of Act VIII of 1894.

**3.** (*1*) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained in the First Schedule to this Act shall be substituted. VIII of 1894.

(*2*) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the First Schedule to that Act shall be repealed. VI of 1921.

Amendment of Act II of 1896.

**4.** With effect from the first day of March, 1922, the following amendment shall be made in the Cotton Duties Act, 1896, namely, in Section 6 for the figure "3½" the figure "7½" shall be substituted. II of 1896.

Amendment of Act VI of 1898.

**5.** With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act. VI of 1898.

Imposition of excise duty on kerosene.

**6.** With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and collection of an excise duty on motor spirit, that is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose II of 1917.

of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were references to kerosene:

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

*Explanation.*— For the purposes of this section, "kerosene" means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons but excluding motor spirit) which—

VIII of 1899. (*a*) is made from petroleum as defined in section 2 of the Indian Petroleum Act 1899, and

(*b*) is intended to be, or is ordinarily, used for purposes of illumination.

Income-tax and super-tax.

**7.** (*1*) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of the Third Schedule.

(*2*) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for XI of 1922. the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule.

XI of 1922. (*3*) For the purposes of the Third Schedule "total income" means total income as defined in clause (*15*) of section 2 of the Indian Income-tax Act, 1922.

Repeal of Act XIII of 1917.

**8.** With effect from the first day of April, 1922, the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, shall be repealed.

XIII of 1917.

XVI of 1918. It is hereby declared that it is expedient in the public interest that this Bill should have temporary effect under the provisions of the Provincial Collection of Taxes Act, 1918.

## SCHEDULE I.

Schedule to be substituted in the Indian Tariff Act, 1894.

[*See section 3 (1).*]

"SCHEDULE II—IMPORT TARIFF.

### PART I.

Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 1 | HOPS. |
| 2 | SALT imported into British India and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in any process of manufacture; also salt imported into the port of Calcutta and issued with the sanction of the Government of Bengal to manufacturers of glazed stone-ware; also salt imported into any port in the provinces of Bengal and Bihar and Orissa and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in curing fish in those provinces.<br>(For the general duty on salt, *see* No. 35.) |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | HIDES AND SKINS, RAW. |
| 3 | HIDES AND SKINS, raw or salted. |
| | METALLIC ORES. |
| 4 | METALLIC ORES, all sorts. |
| | PRECIOUS STONES AND PEARLS. |
| 5 | PRECIOUS STONES, unset and imported uncut, and PEARLS, unset. |
| | SEEDS. |
| 6 | OIL-SEEDS imported into British India by sea from the territories of any Prince or Chief in India. |
| | TEXTILE MATERIALS. |
| 7 | COTTON, raw. |
| 8 | WOOL, raw. |
| | MISCELLANEOUS. |
| 9 | MANURES, all sorts, including animal bones and the following chemical manures:—Basic slag, nitrate of ammonia, nitrate of soda, muriate of potash, sulphate of ammonia, sulphate of potash, kainit salts, nitrate of lime, calcium cyanamide, mineral phosphates and mineral superphosphates. |
| 10 | PULP OF WOOD, RAGS and other paper-making materials. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 11 | UNIFORMS AND ACCOUTREMENTS appertaining thereto, imported by a public servant for his personal use. |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 12 | The following ARMS, AMMUNITION AND MILITARY STORES:—<br>(*a*) Articles falling under the 5th, 6th, 8th, 9th or 10th item of No. 42, when they appertain to a firearm falling under the 1st or 3rd item and are fitted into the same case with such firearm.<br>(*b*) Arms forming part of the regular equipment of a commissioned or gazetted officer in His Majesty's Service entitled to wear diplomatic, military, naval, Royal Air Force or police uniform. |

## SCHEDULE II—IMPORT TARIFF.

### PART I—*contd.*

### Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | (*c*) A revolver and an automatic pistol and ammunition for such revolver and pistol up to a maximum of 100 rounds per revolver or pistol, (*i*) when accompanying a commissioned officer of His Majesty's regular forces, or of the Indian Auxiliary Force or the Indian Territorial Force or a gazetted police officer, or (*ii*) certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, or, in the case of a police officer, by an Inspector General or Commissioner of Police, to be imported by the officer for the purpose of his equipment. |
| | (*d*) Swords for presentation as army or volunteer prizes. |
| | (*e*) Arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a State in India which may be maintained and organized for Imperial Service. |
| | (*f*) Morris tubes and patent ammunition imported by officers commanding British and Indian regiments or volunteer corps for the instruction of their men. |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 13 | ANTI-PLAGUE SERUM. |
| 14 | QUININE and other alkaloids of cinchona. |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 15 | The following AGRICULTURAL IMPLEMENTS, namely, winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed-crushers, chaff-cutters, root-cutters, ensilage-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders, and rakes; also agricultural tractors; also component parts of these implements or tractors, provided that they can be readily fitted into their proper places in the implements or tractors for which they are imported, and that they cannot ordinarily be used for purposes unconnected with agriculture. |
| 16 | The following DAIRY APPLIANCES, namely, cream separators, milk sterilizing or pasteurizing plant, milk aërating and cooling apparatus, churns, butter dryers, and butter workers; also component parts of these appliances, provided that they can be readily fitted into their proper places in the appliances for which they are imported, and that they cannot ordinarily be used for other than dairy purposes. |
| 17 | INSTRUMENTS, APPARATUS and APPLIANCES, imported by a passenger as part of his personal baggage and in actual use by him in the exercise of his profession or calling. |
| 18 | WATER-LIFTS, SUGAR-MILLS, OIL-PRESSES, and parts thereof, when constructed so that they can be worked by manual or animal power. |
| | METALS. |
| 19 | CURRENT NICKEL, BRONZE, AND COPPER COIN of the Government of India. |
| 20 | GOLD AND SILVER BULLION and coin. |
| | PAPER. |
| 21 | TRADE CATALOGUES AND ADVERTISING CIRCULARS imported by packet, book, or parcel post. |
| | YARNS AND TEXTILE FABRICS. |
| 22 | SECOND-HAND OR USED GUNNY BAGS made of jute. |
| | MISCELLANEOUS. |
| 23 | ART, the following works of:—(1) statuary and pictures intended to be put up for the public benefit in a public place, and (2) memorials of a public character intended to be put up in a public place, including the materials used, or to be used in their construction, whether worked or not. |
| 24 | BOOKS printed, including covers for printed books, maps, charts, and plans, proofs, music and manuscripts. |
| | **IV.—Miscellaneous and unclassified—** |
| 25 | ANIMALS, living, all sorts. |
| 26 | SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, and medals and antique coins." |

## SCHEDULE II—IMPORT TARIFF.

### PART II.

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | **I.—Food, Drink and Tobacco—** | | R A. |
| | FISH. | | |
| 27 | FISH, SALTED, wet or dry . . . . | Indian maund of 82⅔ lbs. avoirdupois weight. | Such rate or rates of duty not exceeding one rupee as the Governor General in Council may, by notification in the Gazette of India, from time to time, prescribe. |
| | LIQUORS. | | |
| 28 | ALE, Beer, Porter, Cider and other fermented liquors. | Imperial gallon or 6 quart bottles. | Eight annas. |
| 29 | SPIRIT, which has been rendered effectually and permanently unfit for human consumption. | *Ad valorem* . . | 7½ per cent. |
| 30 | PERFUMED SPIRITS . . . . . | Imperial gallon or 6 quart bottles. | 36 0 |
| 31 | LIQUEURS, Cordials, Mixtures and other preparations containing spirit— | | |
| | (*a*) Entered in such a manner as to indicate that the strength is not to be tested. | Ditto. | 30 0 |
| | (*b*) If tested . . . . . | Imperial gallon or 6 quart bottles of the strength of London proof. | 21 14 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof. |
| 32 | All other sorts of SPIRIT . . . . | Ditto. | Ditto. |
| 33 | WINES— | | |
| | Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit. | Imperial gallon or 6 quart bottles. | 9 0 |
| | All other sorts of wines not containing more than 42 per cent. of proof spirit: | Ditto. | 4 8 |
| | Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to 'All other sorts of Spirit.' | | |
| | SUGAR. | | |
| 34 | SUGAR, all sorts including molasses and saccharine produce of all sorts, but excluding confectionery (*see* No. 123). | *Ad valorem* . . | 25 per cent. |
| | OTHER FOOD AND DRINK. | | |
| 35 | SALT, excluding salt exempted under No. 2 . | Indian maund of 82⅔ lbs. avoirdupois weight. | The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place. |
| | TOBACCO. | | |
| 36 | TOBACCO, unmanufactured . . . . | Pound . . . | 1 0 |
| 37 | CIGARS AND CIGARETTES . . . . | *Ad valorem* . . | 75 per cent. |
| 38 | All other sorts of TOBACCO manufactured . | Pound . . . | 2 4 |

LIBRARY OF THE BOMBAY BRANCH OF THE ASIATIC

## SCHEDULE II—IMPORT TARIFF.

### PART II—*contd.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. | |
|---|---|---|---|---|
| | | | R a. | |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** | | | |
| | COAL, COKE AND PATENT FUEL. | | | |
| 39 | COAL, COKE AND PATENT FUEL . . . | Ton . . | 0 8 | |
| | OILS. | | | |
| 40 | KEROSENE and MOTOR SPIRIT; also any mineral oil other than kerosene and motor spirit which has its flashing point below one hundred degrees of Fahrenheit's thermometer by Abel's close test.<br>NOTE.—Motor spirit is liable to an additional duty of 6 annas per gallon under Act II of 1917, as amended by Act III of 1919. | Imperial gallon . | Two annas and six pies. | |
| 41 | MINERAL OIL which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is such as is not ordinarily used for any other purpose than for the batching of jute or other fibre, or for lubrication, and mineral oil which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose. | *Ad valorem* . . | 7½ per cent. | |
| | **III.—Articles wholly or mainly manufactured—** | | | |
| | ARMS, AMMUNITION AND MILITARY STORES. | | | |
| 42 | Subject to the exemptions specified in No. 12— | | R | |
| | (1) Firearms other than pistols, including gas and air-guns and rifles. | Each . . . | 15 | } or 30 per cent. *ad valorem*, whichever is higher. |
| | (2) Barrels for the same, whether single or double. | „ . . . | 15 | |
| | (3) Pistols, including automatic pistols and revolvers. | „ . . . | 15 | |
| | (4) Barrels for the same, whether single or double. | „ . . . | 15 | |
| | (5) Main springs and magazine springs for firearms, including gas-guns and rifles. | „ . . . | 5 | |
| | (6) Gun stocks and breech blocks . . . | „ . . . | 3 | |
| | (7) Revolver-cylinders, for each cartridge they will carry. | „ . . . | 2 | |
| | (8) Actions (including skeleton and waster) breech bolts and their heads, cocking pieces, and locks for muzzle loading arms. | „ . . . | 1 | |
| | (9) Machines for making, loading, or closing cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. | |
| | (10) Machines for capping cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. | |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*concld.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | CHEMICALS, DRUGS AND MEDICINES. | | R A. |
| 43 | Opium and its alkaloids and their derivatives. | Seer of 80 tolas . | 24 0 |
| | YARNS AND TEXTILE FABRICS. | | |
| 44 | COTTON TWIST AND YARN, and COTTON SEWING OR DARNING THREAD. | *Ad valorem* . . | 5 per cent. |
| | MISCELLANEOUS. | | |
| 45 | Matches— | | R A. |
| | (1) In boxes containing on the average not more than 100 matches. | Per gross of boxes . | 1 8 |
| | (2) In boxes containing on the average more than 100 matches. | For every 25 matches or fraction thereof in each box, per gross of boxes. | 0 6 |

## SCHEDULE II—IMPORT TARIFF.

### PART III.

Articles which are liable to duty at 2½ per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | GRAIN, PULSE AND FLOUR. |
| 46 | GRAIN AND PULSE, all sorts, including broken grains and pulse, but excluding flour (*see* No. 67). |
| | PROVISIONS AND OILMAN'S STORES. |
| 47 | VINEGAR in casks. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | WOOD AND TIMBER. |
| 48 | FIREWOOD. |
| | **III.—Articles wholly or mainly manufactured—** |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 49 | COPPERAS, green. |
| | METALS OTHER THAN IRON AND STEEL. |
| 50 | LEAD sheets, for tea-chests. |
| | MISCELLANEOUS. |
| 51 | AEROPLANES, aeroplane parts, aeroplane engines and aeroplane engine parts. |
| 52 | PRINTING AND LITHOGRAPHING MATERIAL, namely, presses, type, ink, aluminium lithographic plates, brass rules, composing sticks, chases, imposing tables, and lithographic stones, stereo-blocks, wood blocks, half tone blocks, electrotype blocks, roller moulds, roller frames and stocks, roller composition, standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead and rule cutters, type casting machines, type setting and casting machines, rule bending machines, rule mitreing machines, bronzing machines, leads, wooden and metal quoins, shooting sticks and galleys, stereotyping apparatus, metal furniture, paper folding machines, and paging machines, but excluding paper (*see* No. 98). |
| 53 | RACKS for the withering of tea leaf. |
| 54 | TEA-CHESTS of metal or wood, whether imported entire or in sections, provided that the Collector of Customs is satisfied that they are imported for the purpose of the packing of tea for transport in bulk. |
| 55 | FODDER, BRAN AND POLLARDS. |

## SCHEDULE II—IMPORT TARIFF.

## PART IV.

### Articles which are liable to duty at 10 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | METALLIC ORES AND SCRAP IRON OR STEEL FOR RE-MANUFACTURE. |
| 56 | IRON OR STEEL, old. |
| | **III.—Articles wholly or mainly manufactured—** |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 57 | TELEGRAPHIC INSTRUMENTS AND APPARATUS, and parts thereof imported by, or under the orders of, a railway company. |
| | MACHINERY. |
| 58 | MACHINERY, namely, prime-movers and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire engines, motor tractors designed for purposes other than agriculture, and other machines in which the prime-mover is not separable from the operative parts.<br><br>MACHINERY (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which, before being brought into use, require to be fixed with reference to other moving parts; and including belting of all materials for driving machinery:<br><br>Provided that the term does not include tools and implements to be worked by manual or animal labour and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose.<br><br>*Note.*—This entry includes machinery and component parts thereof made of substances other than metal. |
| | METALS—IRON AND STEEL. |
| 59 | IRON, angle.<br><br>„ bar, rod and channel, including channel for carriages.<br><br>„ pig.<br><br>„ rice bowls. |
| 60 | IRON OR STEEL, anchors and cables.<br><br>„ „ beams, joists, pillars, girders, screw piles, bridge work and other descriptions of iron or steel, imported exclusively for building purposes; including also ridging, guttering and continuous roofing.<br><br>„ „ bolts and nuts, including hook-bolts and nuts for roofing.<br><br>„ „ hoops and strips.<br><br>„ „ nails, rivets and washers, all sorts.<br><br>„ „ pipes and tubes and fittings therefor, such as bends, boots, elbows, tees, sockets, flanges, and the like.<br><br>„ „ rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes), switches and crossings, other than those described in No. 62, also lever-boxes, clips and tie-bars.<br><br>„ „ sheets and plates, all sorts excluding discs and circles which are dutiable under No. 96.<br><br>„ „ wire, including fencing wire, piano-wire and wire-rope, but excluding wire-netting which is dutiable under No. 96. |
| 61 | STEEL, angle.<br><br>„ bar, rod, and channel, including channel for carriages.<br><br>„ cast, including spring blistered and tub steel.<br><br>„ ingots, blooms, billets and slabs. |

## SCHEDULE II—IMPORT TARIFF—*contd.*

### PART IV—*contd.*

### Articles which are liable to duty at 10 per cent. *ad valorem*—*contd.*

| No. | Name of Articles. |
|---|---|
| | RAILWAY PLANT AND ROLLING-STOCK. |
| 62 | RAILWAY MATERIALS for permanent-way and rolling-stock, namely, cylinders, girders, and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, wagons, traversers, trollies, trucks, and component parts thereof; also the following articles when imported by, or under the orders of, a railway company, namely, cranes, water cranes, water tanks, and standards, wire and other materials for fencing:<br><br>Provided that for the purpose of this entry 'railway' means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a State in India and also such tramways as the Governor General in Council may, by notification in the Gazette of India, specifically include therein:<br><br>Provided also that only such articles shall be admitted as component parts of railway material as are indispensable for the working of railways, and are, owing to their shape or to other special quality, not adapted for any other purpose. |
| 63 | SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, launches, boats and barges imported entire or in sections. |

## SCHEDULE II—IMPORT TARIFF.

### PART V.

### Articles which are liable to duty at 15 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | FISH. |
| 64 | FISH, excluding salted fish (*see* No. 27). |
| 65 | FISHMAWS, including singally and sozille, and sharkfins. |
| | FRUITS AND VEGETABLES. |
| 66 | FRUITS AND VEGETABLES, all sorts, fresh, dried, salted or preserved. |
| | GRAIN, PULSE AND FLOUR. |
| 67 | FLOUR. |
| | PROVISIONS AND OILMAN'S STORES. |
| 68 | PROVISIONS AND OILMAN'S STORES AND GROCERIES, all sorts, excluding vinegar in casks (*see* No. 47). |
| | SPICES. |
| 69 | SPICES, all sorts. |
| | TEA. |
| 70 | TEA. |
| | OTHER FOOD AND DRINK. |
| 71 | COFFEE. |
| 72 | All other sorts of Food and Drink not otherwise specified. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | GUMS, RESINS AND LAC. |
| 73 | GUMS, RESINS AND LAC, all sorts. |
| | OILS. |
| 74 | All sorts of animal, essential, mineral, and vegetable non-essential oils not otherwise specified (*see* Nos. 40 and 41). |
| | SEEDS. |
| 75 | SEEDS, all sorts, excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (*see* No. 6). |
| | TALLOW, STEARINE AND WAX. |
| 76 | TALLOW AND STEARINE, including grease and animal fat, and wax of all sorts not otherwise specified. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | TEXTILE MATERIALS. |
| 77 | TEXTILE MATERIALS, the following :— |
| | Silk waste, and raw silk including cocoons, raw flax, hemp, jute and all other unmanufactured textile materials not otherwise specified. |
| | WOOD AND TIMBER. |
| 78 | WOOD AND TIMBER, all sorts, not otherwise specified, including all sorts of ornamental wood. |
| | MISCELLANEOUS. |
| 79 | CANES AND RATTANS. |
| 80 | COWRIES and SHELLS. |
| 81 | IVORY, unmanufactured. |
| 82 | PRECIOUS STONES, unset and imported cut (*see* No. 5). |
| 83 | All other raw materials and produce and articles mainly unmanufactured, not otherwise specified. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 84 | APPAREL, including drapery, boots and shoes, and military and other uniforms and accoutrements, but excluding uniforms and accoutrements exempted from duty under No. 11 and gold and silver thread (*see* Nos. 131 and 132), and articles made of silk (*see* No. 133). |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 85 | EXPLOSIVES, namely, blasting gunpowder, blasting gelatine, blasting dynamite, blasting roburite, blasting tonite, and all other sorts, including detonators and blasting fuze. |
| | CARRIAGES AND CARTS. |
| 86 | CARRIAGES AND CARTS, including tram cars, motor-omnibuses, motor-lorries, motor-vans, jinrikshas, bath-chairs, perambulators, trucks, wheel barrows, and all other sorts of conveyances and such component parts and accessories thereof, not otherwise specified, as are not also adapted for use as parts or accessories of motor-cars, motor-cycles, motor-scooters, bicycles or tricycles (*see* No. 126). |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 87 | CHEMICALS, DRUGS AND MEDICINES, all sorts, not otherwise specified. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 88 | CUTLERY, excluding plated cutlery (*see* No. 128). |
| 89 | HARDWARE, IRONMONGERY AND TOOLS, all sorts, not otherwise specified. |
| 90 | All other sorts of IMPLEMENTS, INSTRUMENTS, APPARATUS AND APPLIANCES and parts thereof, not otherwise specified. |
| | DYES AND COLOURS. |
| 91 | DYEING AND TANNING SUBSTANCES, all sorts, and paints and colours and painters' materials, all sorts. |
| | FURNITURE, CABINETWARE AND MANUFACTURES OF WOOD. |
| 92 | FURNITURE, CABINETWARE and all other manufactures of wood not otherwise specified. |
| | GLASSWARE AND EARTHENWARE. |
| 93 | GLASS AND GLASSWARE, lacquered ware, earthenware, china and porcelain; all sorts except glass bangles and beads and false pearls (*see* No. 130). |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | HIDES AND SKINS AND LEATHER. |
| 94 | HIDES AND SKINS not otherwise specified, LEATHER AND LEATHER MANUFACTURES, all sorts, not otherwise specified. |
| | MACHINERY. |
| 95 | MACHINERY AND COMPONENT PARTS thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified (*see* Nos. 15, 16 and 18). |
| | METALS—IRON AND STEEL. |
| 96 | All sorts of IRON AND STEEL and manufactures thereof, not otherwise specified. |
| | METALS OTHER THAN IRON AND STEEL. |
| 97 | All sorts of METALS OTHER THAN IRON AND STEEL, and manufactures thereof, not otherwise specified. |
| | PAPER, PASTEBOARD AND STATIONERY. |
| 98 | PAPER AND ARTICLES MADE OF PAPER AND PAPIER MACHÉ, PASTEBOARD, MILLBOARD, AND CARDBOARD, all sorts, and STATIONERY, including ruled or printed forms and account and manuscript books, drawing and copy books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also wastepaper and old newspapers for packing, but excluding trade catalogues and advertising circulars imported by packet, book, or parcel post (*see* No. 21). |
| | YARNS AND TEXTILE FABRICS. |
| 99 | YARNS AND TEXTILE FABRICS, that is to say:—<br>Cotton piece-goods, thread other than sewing or darning thread, and all other manufactured cotton goods not otherwise specified.<br>Flax, twist and yarn, and manufactures of flax.<br>Haberdashery and millinery, excluding articles made of silk (*see* No. 133).<br>Hemp manufactures.<br>Hosiery, excluding articles made of silk (*see* No. 133).<br>Jute, twist and yarn, and jute manufactures, excluding secondhand or used gunny bags (*see* No. 22).<br>Silk yarn, noils and warps and silk thread.<br>Woollen yarn, knitting wool, and other manufactures of wool, including felt.<br>All other sorts of yarns and textile fabrics, not otherwise specified. |
| | MISCELLANEOUS. |
| 100 | ART, works of, excluding those specified in No. 23. |
| 101 | BRUSHES AND BROOMS. |
| 102 | BUILDING AND ENGINEERING MATERIALS, including asphalt, bricks, cement, chalk and lime, clay, pipes of earthenware, tiles, and all other sorts of building and engineering materials not otherwise specified. |
| 103 | CANDLES. |
| 104 | CINEMATOGRAPH FILMS. |
| 105 | CORDAGE AND ROPE AND TWINE OF VEGETABLE FIBRE. |
| 106 | FURNITURE, TACKLE AND APPAREL, not otherwise described, for steam, sailing, rowing and other vessels. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*concld.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| 107 | MATS AND MATTING. |
| 108 | OILCAKES. |
| 109 | OILCLOTH AND FLOOR CLOTH. |
| 110 | PACKING—ENGINE AND BOILER—all sorts, excluding packing forming a component part of any article included in Nos. 58 and 62. |
| 111 | PERFUMERY, not otherwise specified. |
| 112 | PITCH, TAR AND DAMMER. |
| 113 | POLISHES AND COMPOSITIONS. |
| 114 | RUBBER tyres and other manufactures of rubber, not otherwise specified (*see* No. 138). |
| 115 | SOAP. |
| 116 | STARCH AND FARINA. |
| 117 | STONE AND MARBLE, and articles made of stone and marble. |
| 118 | TOILET REQUISITES, not otherwise specified. |
| 119 | All other articles wholly or mainly manufactured, not otherwise specified. |
| | **IV.—Miscellaneous and unclassified—** |
| 120 | CORAL. |
| 121 | UMBRELLAS, INCLUDING PARASOLS AND SUNSHADES, AND FITTINGS THEREFOR. |
| 122 | All other articles not otherwise specified, including articles imported by post. |

## SCHEDULE II—IMPORT TARIFF.

## PART VI.

Articles which are liable to duty at 30 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco.** |
| 123 | CONFECTIONERY. |
| | **II.—Articles wholly or mainly manufactured.** |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 124 | GUNPOWDER FOR CANNONS, rifles, guns, pistols and sporting purposes. |
| 125 | Subject to the exemptions specified in No. 12 all articles other than those specified in entry No. 42 which are arms or parts of arms within the meaning of the Indian Arms Act, 1878 (excluding springs used for air-guns which are dutiable as hardware under No. 89), all tools used for cleaning or putting together the same, all machines for making, loading, closing or capping cartridges for arms other than rifled arms and all other sorts of ammunition and military stores, and any articles which the Governor General in Council may, by notification in the Gazette of India, declare to be ammunition or military stores for the purposes of this Act. |
| | CARRIAGES AND CARTS. |
| 126 | MOTOR CARS, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 86 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 127 | CLOCKS AND WATCHES AND PARTS THEREOF. |
| 128 | ARTICLES PLATED WITH GOLD AND SILVER |
| 129 | MUSICAL INSTRUMENTS. |
| | GLASSWARE AND EARTHENWARE. |
| 130 | GLASS BANGLES and BEADS and false pearls. |
| | METALS. |
| 131 | GOLD PLATE, gold thread and wire, and gold manufactures, all sorts. |
| 132 | SILVER PLATE, silver thread and wire, and silver manufactures, all sorts. |
| | YARNS AND TEXTILE FABRICS. |
| 133 | SILK PIECE-GOODS, and other manufactures of silk. |
| | MISCELLANEOUS. |
| 134 | FIRE-WORKS. |
| 135 | IVORY, manufactured. |
| 136 | JEWELLERY AND JEWELS. |
| 137 | PRINTS, engravings and pictures, including photographs and picture postcards. |
| 138 | PNEUMATIC RUBBER TYRES AND TUBES for motor cars, motor lorries, motor cycles, motor scooters, bicycles and tricycles. |
| 139 | SMOKERS' REQUISITES, excluding tobacco (Nos. 36 to 38) and matches (No. 45). |
| 140 | TOYS, games, playing cards and requisites for games and sports, including bird-shot. |

## SCHEDULE II.

Schedule to be inserted in the Indian Post Office Act, 1898.

(*See section 5.*)

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(*See section 7.*)

*Letters.*

| | |
|---|---|
| For a weight not exceeding two and a half tolas | One anna. |
| For every two and a half tolas, or fraction thereof, exceeding two and a half tolas | One anna. |

*Postcards.*

| | |
|---|---|
| Single | Half an anna. |
| Reply | One anna. |

*Book, Pattern and Sample Packets.*

| | |
|---|---|
| For every five tolas or fraction thereof | Half an anna. |

*Registered Newspapers.*

| | |
|---|---|
| For a weight not exceeding eight tolas | Quarter of an anna. |
| For a weight exceeding eight tolas and not exceeding twenty tolas | Half an anna. |
| For every twenty tolas, or fraction thereof, exceeding twenty tolas | Half an anna. |

*Parcels.*

| | |
|---|---|
| For a weight not exceeding twenty tolas | Two annas. |
| For a weight exceeding twenty tolas and not exceeding forty tolas | Four annas. |
| For every forty tolas, or fraction thereof, exceeding forty tolas | Four annas." |

## SCHEDULE III.

(*See section 7.*)

PART I.

*Rates of Income-tax.*

| | Rate. |
|---|---|
| A. In the case of every individual, every unregistered firm and every undivided Hindu family— | |
| (1) When the total income is less than Rs. 2,000 | *Nil.* |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupee. |
| B. In the case of every company, and every registered firm, whatever its total income | One anna and six pies in the rupee. |

PART II.

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income :—

| | Rate. |
|---|---|
| (1) in the case of every company | One anna in the rupee. |
| (2) (*a*) in the case of every Hindu undivided family— | |
| (*i*) in respect of the first twenty-five thousand rupees of the excess. | *Nil.* |
| (*ii*) for every rupee of the next twenty-five thousand rupees of such excess | One anna in the rupee. |
| (*b*) in the case of every individual and every unregistered firm, for every rupee of the first fifty thousand rupees of such excess. | One anna in the rupee. |
| (*c*) in the case of every individual, every unregistered firm and every Hindu undivided family— | |
| (*i*) for every rupee of the second fifty thousand rupees of such excess | One and a half annas in the rupee. |
| (*ii*) for every rupee of the next fifty thousand rupees of such excess | Two annas in the rupee. |
| (*iii*) for every rupee of the next fifty thousand rupees of such excess | Two and a half annas in the rupee. |
| (*iv*) for every rupee of the next fifty thousand rupees of such excess | Three annas in the rupee. |

| | Rate. |
|---|---|
| (*v*) for every rupee of the next fifty thousand rupees of such excess . . | Three and a half annas in the rupee. |
| (*vi*) for every rupee of the next fifty thousand rupees of such excess . . | Four annas in the rupee. |
| (*vii*) for every rupee of the next fifty thousand rupees of such excess . . . | Four and a half annas in the rupee. |
| (*viii*) for every rupee of the next fifty thousand rupees of such excess . . | Five annas in the rupee. |
| (*ix*) for every rupee of the next fifty thousand rupees of such excess . . . | Five and a half annas in the rupee. |
| (*x*) for every rupee of the remainder of the excess . . . . . | Six annas in the rupee. |

## STATEMENT OF OBJECTS AND REASONS.

1. The object of this Bill is to provide the additional resources referred to in my speech introducing the Budget for 1922-23 and to continue certain provisions of the Indian Finance Act, 1921 (VI of 1921), which would otherwise cease to have effect from the 1st April, 1922.

2. Clause 2 of the Bill provides for the raising of the salt duty from Re. 1-4 to Rs. 2-8 per maund.

3. Clause 3 substitutes a revised tariff schedule. The substantive changes made are:—

(1) The raising of the general *ad valorem* import duty of 11 per cent. to 15 per cent.
(2) The raising of the specific import duty of 20 per cent. in the case of certain articles of luxury to 30 per cent.
(3) The raising of the import duty on machinery, iron and steel and railway material from 2½ per cent. to 10 per cent.
(4) The raising of the import duty on sugar from 15 per cent. to 25 per cent.
(5) The raising of the import duty on matches from 12 annas per gross boxes to Re. 1-8 per gross boxes.
(6) The withdrawal of yarn from the free list and the levy of an *ad valorem* duty of 5 per cent. thereon.
(7) Increase of the duty on all alcoholic liquors (except wines and denatured spirits) by approximately 20 per cent.
(8) Increase in the duty on imported petroleum from 1½ annas to 2½ annas per gallon.

4. Clause 4 provides for the enhancement of the excise duty on cotton manufactures from 3½ per cent. to 7½ per cent.

5. Clause 5 lays down new rates of postage, the changes being—

(*i*) abolition of the present rates of ½ anna and 9 pies for letters, the minimum in future being one anna for letters not exceeding 2½ tolas in weight and one anna for every additional 2½ tolas or fraction thereof, and
(*ii*) raising to half anna the ½ anna postcard.

6. Clause 6 imposes an excise duty of 1 anna per gallon on kerosene produced in India, corresponding to the increase in the import duty referred to in paragraph 3 (8) above.

7. Clause 7 contains the rates of income-tax and super-tax proposed for the year. The only changes in ordinary income-tax are the raising of the rate for incomes between Rs. 30,000 and Rs 40,000 from 14 pies to 15 pies, and the rate for incomes of Rs. 40,000 and over from 16 pies to 18 pies.

There are no changes in the rates of super-tax up to the present maximum of 4 annas for incomes over 3½ lakhs; thereafter there is a progressive application of the same principle till the new maximum of 6 annas is reached; so that the new rates introduced are as follows:—

| | |
|---|---|
| (*a*) in respect of the 1st fifty thousand rupees of taxable income over 4 lakhs . . . . . | 4½ annas in the rupee. |
| (*b*) in respect of the 2nd fifty thousand rupees of taxable income over 4 lakhs . . . . | 5 annas. |
| (*c*) in respect of the 3rd fifty thousand rupees of taxable income over 4 lakhs . . . . | 5½ annas. |
| (*d*) in respect of all taxable income over 5½ lakhs of rupees . . . . . | 6 annas in the rupee. |

8. Clause 8 repeals the Freight Tax Act XIII of 1917. The existing rates of surtax were imposed for the year 1921-22 by section 4 of the Indian Finance Act, 1921. The surtax will be replaced by increased rates on goods traffic on railways from the 1st April, 1922, and in consequence no surtax will be levied from that date. It is necessary, however, for this purpose to repeal Act XIII of 1917, as otherwise the rates originally imposed by that Act would come into force when section 4 of the Indian Finance Act, 1921, ceases to operate.

9. The changes mentioned in paragraphs 2, 3, 4 and 6 are intended to come into effect from the 1st March, 1922; the rest from April 1st. The Bill provides that the changes mentioned in paragraphs 2, 5 and 7 shall remain in force till the 31st March, 1923.

W. M. HAILEY.

*The 28th February 1922.*

## PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Wednesday, the 1st March, 1922.*

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

### BUDGET FOR 1922-23.

The HONOURABLE MR. E. M. COOK: Sir, I rise to present the Revised Estimates of the current year and the Budget Estimates of revenue and expenditure for next year. I am quite sure, Sir, that the Council will join with me in regretting that, owing to the limitations to which the human body is subject, it is impossible for the Honourable Finance Member to be in two places at once; and, if I may be permitted a reflection of my own, it is this: I think that it is a pity that the procedure of the Indian Legislature does not admit, on an occasion like this when there is no discussion, of a joint sitting of the two Houses, so that the Finance Member could present his Budget to both branches of the Legislature. ('Hear', 'hear.') However, Sir, among the various statements, estimates, and so forth, that I am now about to present, Honourable Members will find a copy of the *Budget Speech which Sir Malcolm Hailey is now addressing to the other House. It is, therefore, unnecessary, and I think undesirable, that I should interpose any lengthy remarks of my own between the presentation of these papers and their perusal by Honourable Members. It may, however, be of some little convenience to Honourable Members if I indicate extremely briefly the more salient facts of the Central Government's financial position as set forth in the Budget speech. I shall not attempt to comment thereon or to give any lengthy exposition of the figures. I propose merely to indicate, in as few words as possible, broadly and without any elaboration, firstly, the important facts, and secondly, the proposals of Government for the coming year. What I shall say will indeed be very little more than a recitation of a table of contents of the Finance Member's speech, which will be in Honourable Members' hands in a few minutes. I pass now, without any further remarks, to the actual figures. The Council will perhaps remember that for the current year we budgetted for a revenue of 128⅓ crores as against an expenditure of 127½ crores, leaving a small surplus of about Rs. 71 lakhs. We budgetted in an atmosphere of some depression, but we certainly did not anticipate or provide for the very great stagnation of trade that the current year has witnessed. In the event, we now estimate in the current year a revenue of Rs. 108 crores, that is, some 20⅓ crores less than the revenue budgetted for. On the other hand, we expect to incur an expenditure of about Rs. 142 crores; *i.e.*, 14¼ crores in excess of the budgetted expenditure. Altogether therefore, we anticipate a deficit in the current year of Rs. 34 crores. The deficiency of Rs. 20 crores in revenue is mainly accounted for under the heads of Customs and Railways. Honourable Members will find some details about the other heads in the speech, and I do not think I need deal with them here. Under Customs we expect a falling off of Rs. 4½ crores, which would have been, I may say, very much worse but for the enormous imports of sugar. Under Railways, we expect a total worseness on the Budget of no less than Rs. 13 crores, made up of a worseness of Rs. 4 crores in traffic receipts, the remainder being accounted for by a very heavy increase in working expenses. As regards the worseness of Rs. 14¼ crores under expenditure, 2 crores of this is accounted for by an increase in interest charges, due to our larger rupee and sterling loans. As regards military expenditure, the necessity for the continuation of operations in Waziristan has resulted in an expenditure of 6¾ crores thereon as against the 3 crores provided for in the Budget. Still, in spite of this excess of 3¾ crores in Waziristan, it has been found possible by various economies to keep the excess on the whole military Budget down to 2¾ crores; that is to say, we expect the military expenditure in the current year to stand at Rs. 65 crores as against the Budget figure of 62¼ crores.

As regards Exchange, the non-attainment of the Budget assumption of an average rate of 1*s.* 8*d.* means a worseness of a little over 9 crores. Of that 9 crores, Honourable Members will find, when they examine the

*Published in the Gazette of India Extraordinary of 1st March 1922.

statement, that about 5¾ crores are shown adjusted under the head 'Exchange', while the remainder appears in the accounts of the commercial departments, Railways, Posts and Telegraphs, and so forth, *i.e.*, their Home expenditure has cost them more.

This, Mr. President, is the fourth consecutive deficit. In 1918-19, the deficit was 6 crores; in 1919-20, mainly due to the Afghan War, it was 24 crores; our final accounts for 1920-21, which have only just been made up, show a deficit for that year of 26 crores. When you add to that the 34 crores deficit in the current year, it will be seen that our expenditure has exceeded our revenues during the past four years by a total amount of 90 crores.

I now proceed to give a very brief summary of the Budget estimates for next year. In making our estimates we have assumed some slight improvement in trade as compared with the current year, though not any really substantial return to normal conditions. On the basis of the present taxation we estimate a revenue of 110½ crores, that is, 2½ crores more than the current year; this includes the full provincial contributions of 920 lakhs. I do not think I need give details about the estimates of revenue. Honourable Members will find these given in the speech. As regards our expenditure, there are very few variations in the ordinary civil departments, practically all new expenditure having been definitey debarred. Honourable Members will notice, however, that we are making a large provision for working expenses on Railways.

For the purpose of these estimates, sterling has been converted into rupees at an average rate of 1*s*. 4*d*. That is not a prophecy; it is merely an assumption; for the purposes of the Budget we have to make some sort of assumption, and that is, we think, as things are at present, as good an assumption as the ordinary business-man would make. The military Budget of next year is 62 crores 18 lakhs, that is, just slightly, a few lakhs, below the current year's Budget, although Honourable Members will observe from the speech that the provision entered for Waziristan can only be regarded as tentative—it is quite impossible to say what our operations there are going to cost, and it is possible that these may lead to some excess. Altogether, then, the total expenditure budgetted for for next year is 142¼ crores, which would leave a deficit of 31¾ crores.

I must invite the Council to consider with very great care and to give their very anxious consideration to what the Honourable the Finance Member says where he discusses the various possible ways of meeting this deficit. It is obvious, when one thinks about it, that there are, in theory, three possible ways of meeting the situation. In the first place, one could in theory budget for a deficit for the whole or part of that amount. In the second place, we could, again in theory, attempt to reduce our expenditure and to bring it down nearer the level of our revenues. In the third place, we can increase our revenues. The Council will observe that these three theoretically possible courses could be applied either separately or in combination. One of the problems which this Council has to consider, and which Government have been anxiously considering, is whether it would be desirable and even if desirable, whether it would be practicable, to leave the whole or even the greater part of this deficit of 31¾ crores uncovered. Now in considering this matter there are two points of the most vital importance. The first point is this: Can it be said that this deficit that we have to face is due to transient causes? Can it be said that, if we sit tight, better times will come, and that, as our revenues expand, and provided we keep a tight hold on our expenditure, may expect equilibrium to be reached? I am afraid, Mr. President, that that view cannot be taken. I challenge any one to take such a view. I do not mean to imply that either the current year's deficit of 34 crores or next year's deficit of nearly 32 crores is to be taken as the measure of the permanent gap that exists between the revenue and expenditure of the Central Government. I assume that, as our frontier commitments are liquidated, that part of our military expenditure which we classify as abnormal, and which I have mentioned this morning, will gradually disappear. I also assume that our revenues would very readily react to a really good revival of trade. But after making every possible assumption of this nature, I do not think it can be said that, if things are left to themselves, equilibrium will be obtainable within a measurable time. We have to remember that we have before us a certain loss of revenue in the shape of the provincial contributions, which we are committed to reduce and gradually to abolish on the slightest sign of any betterment in the Central Government's position. Altogether, I think it must be admitted that the position has got to be faced. Then there is a second point, of cardinal importance in this matter, how have these deficits been financed? These 90 crores of deficits for the past four years, where did the money come from? Of that 90 crores, about 37 crores have been obtained by the issue of fiduciary currency notes, that is to say, notes the only backing of which are our own I. O.U's. A further 47 crores will have

been found by incurring floating debt in the shape of Treasury Bills, while the remaining six crores will have been taken from the proceeds of our regular annual borrowings. I do not wish to elaborate this point too much, because I am sure Honourable Members themselves are perfectly well aware that our position as regards the floating debt is an anxious one, and that our Treasury Bill outstandings are already dangerously high. This is a matter of experience. The events of the past month or two in India have shown perfectly plainly, I claim, to every observer that we cannot substantially increase our floating debt, and also that it is with the utmost difficulty that we can even maintain the present level. We have been obliged to force up money rates, and the tighter we have made money the more trade asks for money; and so we go on in this sort of vicious circle, and it is not too much to say that we have practically got to the end of our resources as regards the financing of deficits by our floating debt. The conclusion to which Government have come, is that the inevitable result of attempting to finance again deficits of this sort would be to force us to large issues of unbacked currency notes, and I am quite sure that Council will agree that the effect of such inflation upon the general level of prices and on the credit of the country would be extremely serious. The second alternative is reduction in expenditure. The Council will see from the details of the Budget that in the Civil Departments we have cut out all new expenditure which cannot be proved to be absolutely necessary. We cannot claim that further reductions are impossible, and the Honourable the Finance Member is to-day announcing in another place the appointment of a Committee of Retrenchment. But the field for retrenchment is small, and it would not be safe for Budget purposes to rely on any really material relief there from retrenchment.

The third course is to increase our revenues. We can increase our revenues in two ways: firstly, by ensuring that our commercial departments pay their way, or at any rate, are not a burden upon the general tax-payer, and, secondly. by increasing taxation. As regards our commercial departments, in the current year the Railways, after including the proceeds of the surtax, show for the first time for many years a working loss, after paying interest charges of 2½ crores. We estimate that next year, even after allowing for the increase in goods rates which will have effect from April 1st they will still be working at a loss of over a crore. It is proposed therefore to increase passenger fares by approximately 25 per cent. yielding an additional revenue of 6 crores. As regards the Post and Telegraph Department, in the current year this is working, after making all the necessary adjustments, at a loss of not less than 90 lakhs, and we estimate that next year, if no change be made in the rates, there would be a loss of at least 80 lakhs. It is proposed, therefore, to repeat the proposals of last year, which were not accepted by the Legislature, and to raise to half an anna the quarter anna post card, and, secondly, to abolish both the half anna and nine pies rate for letters (which I may say has brought in practically nothing) making the charges in future one anna for letters not exceeding 2½ tolas in weight and one anna for every additional 2½ tolas, bringing in an increased revenue of 160 lakhs. These changes in the Commercial Departments will altogether bring in, we estimate, an increased revenue of 760 lakhs, thereby reducing the estimated deficit from 31 crores 76 lakhs to 24 crores 16 lakhs.

I now come to the proposals for additional taxation. I shall mention these without any comment, and without attempting to arrange them in any order of unpopularity. As regards Customs, Government propose to obtain nearly 15 crores more from this source. It is proposed to raise to 15 per cent. the import duty on all articles now assessed to 11 per cent, and at the same time to increase the cotton excise duty from 3½ to 7½ per cent. The combined effect of these two measures will be an increased revenue of 5 crores and 45 lakhs. Secondly, it is proposed to raise from 2½ to 10 per cent. the present import duty on machinery, iron and steel and railway material, yielding an extra revenue of 4 crores, 5 lakhs. Thirdly, it is proposed to increase the duty on imported sugar from 15 to 25 per cent, giving an increased revenue of 2 crores. Fourthly, we propose to raise the specific duty of 12 annas per gross boxes of matches to Rs. 1-8-0, which would give an estimated increased revenue of 95 lakhs. Fifthly, we propose to impose an excise duty of 1 anna per gallon on kerosine produced in India, with a corresponding increase in the duty on imported petroleum, namely, from 1½ to 2½ annas per gallon, the extra revenue which we hope to get from these two measures will be 90 lakhs. Sixthly, it is proposed to remove yarn from the free list and to impose an import duty of 5 per cent, which will yield a revenue of half a crore. Seventhly, it is proposed that the articles which are assessed at the highest rate of the tariff should, in future, be assessed to 30 per cent. instead of 20 per cent, yielding an extra revenue of 75 lakhs. Finally, as regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would probably result in an actual loss of revenue. As regards ale and beer, liqueurs and spirits, although Government would for some reasons prefer

to wait for another year, they feel that they cannot afford to neglect any possible increase of revenue, and it is accordingly proposed to increase the import duty on these particular alcoholic liquors by approximately 20 per cent., yielding an extra revenue of 30 lakhs. Altogether the total of these increases in Customs is 14,90 lakhs, and the extra revenue during the month of March is likely to be 80 lakhs. This will still leave an uncovered deficit of about 9¼ crores. Government propose to make a further call on the payers of income-tax and super-tax. They do not propose to effect any alteration in the rate of income-tax payable by persons whose incomes do not exceed Rs. 30,000 a year, but it is proposed to raise the rate on incomes between Rs. 30,000 and Rs. 40,000 from 14 to 15 pies, and on incomes above Rs. 40,000 from 16 to 18 pies. As regards super-tax, it is proposed to regrade the higher rates, working up in the manner shown in the Schedule to the Finance Bill (which will shortly be in Honourable Members' hands) to the highest rate of 6 annas, as against the existing highest rate of 4 annas. The combined effect of these Income-tax and Super-tax measures will be to produce an extra revenue of 2¼ crores.

Finally, Government consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our ultimate reserve. It is proposed to increase the duty from Rs. 1-4-0 to Rs. 2-8-0 a maund. This is estimated to produce 5 crores a year, but in the first year, owing to the existence of the credit system of sales, it is not likely to exceed 430 lakhs.

The total extra revenue obtainable from the measures that I have mentioned, including those regarding Railways, Posts and Telegraphs is estimated at slightly over 29 crores next year. It will still leave an uncovered deficit of 2¾ crores, together with any extra liability that may fall on us in respect of Waziristan. Government consider that the existence of any uncovered deficit is, in present circumstances, a matter for anxiety. They have not felt, however, justified in proposing taxation to a greater extent than I have mentioned.

I will deal very shortly, Sir, with our Ways and Means figures. This is a rather technical part of the Budget, but always a very important one, and on the present occasion it is of more than usual importance, because there is more than the usual connection between our Ways and Means and Revenue accounts. I need not give full details of our Ways and Means operations in the current year. I will only say that they show that we are obviously approaching the end of our resources as regards financing deficits. Thus, during the current year we have had to meet liabilities of 90 crores, one-third of which has been due to the Central Government's own deficit, while 12¼ crores has been due to the Provincial Governments' deficits or drawing on their balances, so that half our total liabilities on the Ways and Means side has been due to the necessity for finding money to finance deficits. As regards next year, the total liabilities will amount to about 58 crores, which include 30 crores for railway capital outlay and 3½ crores for Delhi and Telegraph capital outlay. I do not think I need give details of the way in which we propose to meet those liabilities, except to say that we have entered in the Estimates a rupee loan of 25 crores and sterling borrowing of about £17½ millions, £2 millions of which will however represent the final instalments of the last loan of £10 millions. Government do not however bind themselves to distribute their total borrowings betwen rupee and sterling in any particular proportion.

The most important point as regards the financial events of next year is the Secretary of State's own position, and I draw particular attention to what the Finance Member has said as regards the methods that may have to be adopted for putting the Secretary of State in funds next year. After various recoveries from the Home Government, and assuming that he is going to borrow £17½ millions in sterling, the Secretary of State will still require to be put in funds to the extent of £18 millions; and the problem as to how he is to be put in funds to that extent by means of remittances from India, has a very very important bearing upon the financial arrangements for next year. There are only two ways in which he can be put in funds. One is by his drawing on the sterling reserves, and the other by the sale of Councils. I do not wish to detain the Council with any remarks about these two methods, except to indicate the importance of this particular problem and its bearing upon money and exchange conditions in India throughout the year.

I do not think I need detain the Council with any more figures or explanations. I have said enough to show, Sir, that the problem before the country is a grave one, but I feel sure, whatever views may be taken as to the particular methods Government propose for meeting it, that at any rate this Council will consider Government's proposals with that high sense of responsibility that has always characterized its deliberations.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Monday, 6th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

**The Honourable Sir William Vincent** (Home Member) : Sir, I have been asked by the Honourable Sir Malcolm Hailey to make an apology to the House on his behalf to-day. He was taking,—what all Members of the Assembly will readily recognise was much needed—a week end holiday away from Delhi and unfortunately missed connection somewhere on his return journey. He will however arrive by mid-day and he has telegraphed to me asking me to apologise to the House on his behalf for his absence.

Further, Sir, I also wish to mention that I have received a Message from His Excellency which, on behalf of my Honourable Colleague, I will make over to you, if I may, for communication to the House.

### MESSAGE FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

**Mr. President** : I have received the following Message from His Excellency the Governor General :

'*In pursuance of the provisions of sub-section (3) of section 67-A of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Legislative Assembly when the Financial Statement is under consideration.*

*(Sd.) READING,*
*Governor General.*'

### TIME-LIMIT FOR SPEECHES IN BUDGET DEBATE.

**Mr. President :** Under rule 46, I appoint twenty minutes as the time-limit for speeches on this day.

### GENERAL DISCUSSION ON THE BUDGET.

FIRST STAGE.

**Mr. Harchandrai Vishindas** (Sind : Non-Muhammadan Rural) : While regretting the absence of the Honourable the Finance Member, I must say that it is impossible to withhold our meed of admiration from the excellent manner of his presentment of the Financial Statement in the midst of the most arduous difficulties that he had to contend with in this most disastrous year; and it is also our bounden duty to record our sense of appreciation of the courageous manner in which, according to his own lights of course, he has taken the bull by the horns and suggested what he himself feels to be a distasteful and unpopular measure of extra taxation. But while, Sir, I make these remarks, I have exhausted the bright side of the picture. I must inform you, that it would be impossible for the major portion of the Assembly, if I understand correctly, to accept the crushing burden of taxation that is proposed to be imposed under the present Budget. Now, salt is taxed; cloth is taxed; matches are taxed; kerosene oil is taxed; post is taxed and railway fares are increased. All these are items which directly affect the poor. Members will remember that last year when we accepted this heavy taxation, it was with the object of making the path smooth for Government in the first year of our existence. But, at the same time, I think it was the understanding of almost every elected Member that this burden would not be repeated next year,—and that was the keynote of the proposal that the fresh taxation should be only for one year and, if it was intended to be repeated, a fresh Act would have to be passed. That being so, it was the sense of the country that the end of the tether had been reached by shouldering those burdens of last year's taxation. The result of accepting the fresh taxes that are now proposed

would be the starvation and ruin of the country, especially of the poor people. I think, Sir, it is recognized that in every scheme of taxation it should be borne in mind that the poorest should be as much exempted and kept apart as possible, and especially the poor of this country, who are living from hand to mouth, who only enjoy one meal a day. Therefore, I record my strong dissent against these taxes,—taxes on salt, taxes on cloth, kerosene, matches, and machinery, increase of postage and Railway fares. Now it has been suggested in the Financial Statement of the Honourable the Finance Member that as salt will cost only three annas per head in the year, it will not be felt; but it is forgotten that it is not the question of salt alone, but when you combine salt with kerosene oil, and matches which are required by the people for lighting purposes, and cloth which is a great necessity for covering the body and will be affected by excise duty, all these things put together do constitute a very heavy burden on the poor. Now, I will not trouble the House with any consideration of other items, namely, post which might not be a necessity of the poor, or machinery, or railway fares. It might be said that railway fares would be borne by such people as can travel, and only such people should travel as have the means. However, so far as machinery is concerned, its taxation will affect the development of industries and commerce, and is therefore objectionable. I do not propose to touch the taxation on liquors or other classes of luxuries as such taxation is a perfectly legitimate source of revenue. Whilst on this subject, we might accept all the conditions prevailing in the country which have been assigned by the Finance Member as causing this unfortunate state of things, namely, the general world depression in trade, the loss by exchange, the losses in our commercial departments like the railways, posts and telegraphs, and the heavy working expenses. But whilst admitting all these things, what does it come to? I am strongly of the opinion that, in spite of all that has been urged in the Budget speech of the Honourable Finance Member, there is great room for the curtailment of expenses. Now I may revert to the propriety of taxing the poor man in the manner I have detailed. What has been the poor man's capacity during the last five years? Surely it has been diminishing by degrees, and you can very easily realize this from the fact that the purchasing power of the rupee has also greatly diminished; and then you have to take into consideration the fact that people have not to pay merely the Central Government's taxes, but also to pay the Provincial taxes, and, in addition, to pay municipal taxes. When all these factors are taken into consideration, a very strong case is made out for opposing the whole scheme of taxation, or at least the major portion of it that I have referred to, that is proposed. Then, there is also another consideration. While you are raising, for instance, the customs duties, care should be taken to ascertain whether this will not recoil the other way, as has been pointed out in several instances in the Finance Member's speech. When you are imposing fresh taxation on an article, you must be careful to see that it will not result in the diminished import of that article and thereby not give you any advantage but only give you the disadvantage of having higher taxes but less revenue—what in technical language is called the law of diminishing returns. I am afraid that, although the Honourable the Finance Member has taken in this connection an optimistic view, he will experience in the end that this doctrine will work out, and in several cases expectations that are now being formed in the Financial Statement will not be realized; on the contrary, he will find that he has committed a mistake in imposing taxes upon those particular articles. Now where is this process going on to from year to year? Therefore, the only alternative that we can resort to is a very sweeping curtailment in expenditure, both civil and military. Now while it has been suggested that curtailment in civil expenditure is possible, it is at the same time said that the scope there is very limited, because civil expenditure extends only to 20 crores, and, even if you reduce it by 10 per cent, you will be making a saving of only 2 crores, but, if curtailment in civil expenditure is possible, why should it not be admitted that on the military side of the expenditure also it is possible? Unfortunately, from time to time, year in and year out, in spite of our repeated protests which date so far back as 20, 30 or 40 years, a definite *non possumus* has been offered by Government to any retrenchment or economy in military expenditure. Well, up to now Government have been able, have succeeded in offering a strong barrier to any suggestions for retrenchment, but I think now the time has arrived when that policy ought to be entirely changed.

I have very strong reasons for urging that there is no occasion for the country to incur the military expenditure that the Government is incurring. Before the war, there was some necessity for the maintenance of a large army. We know that there was the constant menace of foreign aggression. The Russian bogey always stared us in the face, and the people, willingly or

unwillingly, submitted to being heavily taxed in order to secure the safety of the country. But that Russian bogey does not exist now. Then we have the Waziristan question, and although the operations in Waziristan do not cover the whole field of military expenditure, I think the best course is to leave Waziristan alone. I do not think that experience has taught us that we gain anything at all by the pursuance of this 'Forward policy'. This is very old history. I have some recollection of the second Afghan War in 1878. At the conclusion of the war, the Government were only too anxious to get rid of the whole business of meddling with Afghanistan. They wanted to drop it like a hot potato because their hands were burning, and several schemes were broached to 'scuttle out of Afghanistan', as the phrase then went. And after all, they were providentially able to get hold of Amir Abdur Rahman to take over Afghanistan from them And that has always been the result at which this forward policy has arrived, and it ought to be abandoned for ever and the heavy military expenditure incurred thereon saved. I do not think it is justifiable to retain Waziristan or to carry on any operations in Waziristan, because the gain is very little and the cost is so heavy. I dare say the Members of this House, or a large part of them, must have read the excellent article which recently appeared in the '*Times of India*', which gave very cogent reasons with which I entirely agree—for the abandonment of Waziristan altogether.

In the days of Lord Ripon, after the second Afghan War, a non-forward policy was adopted, and it led to peace and prosperity. Then, unfortunately, Lord Curzon introduced the policy of placating the tribes by subsidies and this rebounded upon us with disastrous consequences during the recent Afghan War. All these things indicate that this forward policy should be abandoned altogether and that we should confine our activities within the limits of our own frontier. We have already got sufficient internal commitments and matters to occupy our attention and it cannot pay to multiply our obligations by going outside our frontiers.

There is another factor which has also contributed for a long time to this heavy military expenditure and that is the amalgamation of British with Indian troops after the mutiny of 1857. I will advert to that point later on and will now quote some figures to show how enormously our expenditure on the military side has increased. In 1899-1900, out of a total revenue of 39·760 crores, military expenditure amounted to 15·375 crores. As against that, in 1919, out of a revenue of 86·324 crores, the military expenditure was 44·480. So that, while the net increase in revenue was 46 odd crores, or 117 per cent., the increase in military expenditure was 29 crores or 190 per cent. Now, if we consider the ratio of military expenditure to revenue, we find that in 1899-1900, it was 38·66 per cent.: whereas in 1919-20, it was 51·52 per cent. This shows that the ratio has also been steadily increasing. Now, let us take the ratio of military expenditure to net taxation and we get these figures. In 1899-1900, military expenditure was 15·376 crores, while taxation was 18·174 crores, the resulting ratio being 84·60. In 1919-20, military expenditure was 44·480 crores and taxation was 40 crores, and the ratio was 108·15 per cent. This shows that in the last-mentioned year, the whole of the taxation and something more was absorbed in military expenditure. Then, Sir, if we calculate the ratio of military expenditure to all other sources of net Imperial revenue save taxation, which amounts to 45·46 crores, it works out to 98 per cent. Thus, this Octopus of military expenditure has been eating away our very vitals. While, as I have shown, in 1899-1900, military expenditure was 15 crores, it rose in 1919-20 to 44 crores. Last year, it was no less than 62 odd crores, besides the Waziristan and Demobilization charges, and this year also it is about the same. Now, in view of the fact, to which I have referred, that the Russian bogey and the consequent fear of foreign aggression no longer exists, there is no justification for the maintenance of a huge army at a ruinous cost at the expense of the poor of this country. It might, however, be said that this is merely destructive criticism and I might be asked why I do not put forward constructive proposals as to the directions in which this military expenditure can be reduced. Such a criticism might be justified if I stopped here and did not go on to formulate some constructive proposals. Well, Sir, I have some constructive proposals to make and the first relates to the fact that the cost of the British soldier is five times as much as that of the Indian soldier. At one time, the expense of maintaining seven Indian soldiers was the same as the expense of three British soldiers. Later, the cost of maintaining one British soldier was equal to that for four Indian soldiers, and now one British soldier costs as much as five Indian soldiers. I will refer you, Sir, to page 15 of the Military Estimates in corroboration of this, from which it will be seen that 65,000 odd British soldiers cost altogether 10·18 crores; whereas 185,000 Indian soldiers cost altogether only 5 crores. And those

figures work out the cost of one British soldier as equal to the cost of five Indian soldiers. Indianize the Army and you effect an enormous saving.

Then, Sir, a good deal of leakage and embezzle ment takes place in the Supply and Transport Departments. Unfortunately, whatever may be said from the Treasury Benches to-day, the experience of Members is that there is no proper supervision and control over the contract system. It has come out in several cases—I cannot lay my hands at the moment on a particular case—that, whereas a contract of the Civil Department costs Re. 1, for the Military Department a contract for the same staff and quantity cost 5 times as much, if not more in some cases, I do not mean to say in all cases. This is a great eating-away Department, the Supply and Transport Department, and that requires special control and special check. There are now pending six cases of frauds and embezzlements in this Department and one of them is in my city of Karachi. A whole wagonfull of Military stores was found at Kotri or somewhere and nobody knew to whom it belonged. Eventually, it appeared that it had come from Quetta and a criminal case in that connection has been going on. Therefore, I submit that a very strong case has been made out for curtailing Military expenditure. The pruning knife should be ruthlessly applied to military expenditure. There is also another reason to which I made a passing reference before. One of the causes of this heavy burden has been the original amalgamation of the British Army with the Indian Army. That happened after the Mutiny. After the Mutiny, when the East India Company made over the administration to the Crown, the British Army was amalgamated with the Indian Army. In this connection, the late Mr. Fawcett, whom we all know as being a special advocate for India and always described as 'Member for India' in the House of Commons, made this remark :

> 'A few years after the abolition of the East India Company what is known as the Army Amalgamation Scheme was carried out in direct opposition to the advice of the most experienced Indian statesmen. India was, as it were, bound hand and foot to our own costly system of Army administration, without any regard apparently to the fact that the various schemes of organisation which may be perfectly suited to a country so wealthy as England may be altogether unsuited to a country so poor as India . . . . .'

Then there was a Commission appointed during Lord Ripon's time, the Simla Commission, which fixed the proportion of British troops to Indian troops, at 60,000 to 120,000. But soon after, when Lord Randolph Churchill became the Secretary of State for India, suddenly he raised the strength by 10,000 British troops and 20,000 Indian troops respectively. For what reason? For no earthly reason at all. On the contrary, the result of that was that with this large force an aggressive invasion of Burma took place.

**Mr. President:** I must ask the Honourable Member to bring his remarks to a close.

**Mr. Harchandrai Vishindas:** All right, Sir. I am not going into any other points, as I must finish. There is one point, however, which I must mention. So far as the Railway expenditure is concerned, I support the recommendation of the Committee that Railway finance should be self-contained, because any saving in Railway expense is always utilised for expenditure which would not be the case if Railway finance was self-contained and whatever is saved would be utilised for Railway purposes altogether. With these few remarks, I bring my observations to a close.

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban) : Sir, I gladly associate myself with the remarks made by my friend, Mr. Vishindas, about the excellent manner in which this most depressing Budget had been presented to us by the Honourable the Finance Member. Sir, I may mention that I was so carried away by his eloquence that even I was forced to cheer him and that at a wrong point. (Laughter.) Sir, while this Budget has been described as a distasteful Budget, and all sorts of adjectives have been used which I am afraid to enumerate here, I consider it as an eye-opener Budget. Sir, we have been told that we have been put on the road to Swaraj, and it is quite true that we have been put on the road to Swaraj. But, Sir, we are asked to run a race hampered by many obstacles. It is an obstacle race we are asked to run with tight-fitting clothes, pressing us at the neck, pressing at the chest and with very nice boots, but too pointed for the naked Indian feet.

In the first place, Sir, I have to thank you on behalf of the Party for allotting us a corner. (Laughter.) We had hoped that you would have allotted us the front fair Opposition, but, with the true instinct you have, you have rightly allotted a side, for under the constitution as it stands, we cannot deliver the frontal attacks on the Budget but we can only give side-thrusts. We had asked for an opportunity for a frontal attack, but His Excellency the Viceroy and Governor General, *ex*-Lord Chief Justice as he is, has taken

refuge behind the opinion of the Law Officers of the Crown. So, having missed that opportunity, you have truly gauged the situation and given us this position, so that we may content ourselves with side-thrusts which perhaps may be more effective than frontal attacks. (Laughter.) I said this Budget is an eye-opener. Sir, it has opened the eyes of every thinking Indian, nay it has opened the eyes of every thinking Englishman in the country. I was glad to see the informing, the instructive, articles in the '*Statesman*', no friend of India. (Laughter.) In the '*Times of India*', which we have always associated with the sober-minded Englishmen in this country (Hear, hear), the criticism was most delicious and most encouraging and most instructive. Sir, I said it has opened the eyes, and I am thankful to the Government of India for the very frank Budget which they have presented to the country. Early in our career it is but right that we should know, and the whole civilised world should know, what an obstacle race this infant Parliament is asked to take at its start. Let us face a few facts. In the year 1919-20, in March 1920, our revenue, our Central revenue, was 88 crores, and our expenditure that year was somewhere about 109 crores. If you take the figures, year after year, you find that the Finance Department in the last few years have been over-estimating the revenue and under-estimating the expenditure. We, as householders, in our household finance, would be acting foolishly, with great folly indeed, if we were to over-estimate our income and under-estimate our annual expenditure. But, Sir, when the Government of a large country like this over-estimate their revenue and under-estimate their expenditure, it is not only folly, but it is criminal folly.

Sir, what has happened? In the year 1919-1920, they budgeted for a revenue of 96 crores; they actually got 88 crores. I will leave aside the phenomenal year of 1920-21 which, by the beautiful exchange operations, produced phenomenal trade results in the country. In the year 1921-22, they budgeted for a revenue of 128⅛ crores and actually got 108 crores. So also, Sir, they are budgeting this year for an ordinary revenue of 110½ crores, to which they expect to add 6 crores by raising the railway rates by executive action, and, therefore, they expect to get a revenue of 116½ crores. If you go to the expenditure, you will find that, whereas they budgeted for an expenditure of 106 crores in the year 1919-21, the actual expenditure was 109·01 crores. In the year 1920-21, they budgeted for an expenditure of 129·8 crores, and the actual expenditure was 161·6 crores. In the year 1921-22, they budgeted for an expenditure of 127·5 crores and the actual expenditure is 142 crores. So that, Sir, this process of under-estimating the expenditure and over-estimating the revenue, has landed us in extravagance. You can quite easily conceive how, when fresh proposals for expenditure come up, whether it be by way of revision of pay or by way of fresh expenditure, when you think of your budgeted revenue and when you find you are getting so much, you will be tempted to sanction that expenditure; whereas, if you had rightly estimated your revenue, as you ought to have done, fresh expenditure would not have been sanctioned light-heartedly, as it has been within the last two years. Sir, I must justify the charge that fresh expenditure has been incurred light-heartedly during the last two or three years. In the year 1919-20, our civil expenditure was 16 crores—I will give the exact figure, which is 16·30 crores; and now we are budgeting for a civil expenditure of 20·55 crores. That is, within the last two years, from March 1920 to March 1922, our civil expenditure has gone up by 4·25 crores. As we are talking in crores, we are apt to forget what a crore means in this country. Let us convert it into units and then conceive the large addition which has been made within the last two years in civil expenditure alone. Sir, our debt services stood at 936 lakhs in the year 1919-20; to-day, Sir, they stand at 1,436 lakhs, that is our national indebtedness has so far increased within the last two years, that we have to pay an additional interest of 5 crores. I will not pile up figures; the time allotted to me is short, but, when we think of this, I may justly claim that we are put on the path of Swaraj with tight-fitting clothes, pressing us on the neck, pressing us on the chest, and pressing us on the feet. It will be an idle expectation, it will be a cruel test to impose upon the country to say: 'Now show your fitness for Swaraj within 10 years, within 5 years,' with these manacles placed upon us.

Sir, when last year, we were called upon to support the Budget, which some of us foresaw the country could not bear, we had no hesitation in giving our support to the Government. But, Sir, I made it clear in my speech and I daresay every one of us who supported the Government on that occasion made it clear, that it was a conditional consent to co-operate. The condition was this—and I said so plainly—that within the year we should put our heads together and see what expenditure the country could bear and how far we could effect reductions, whether they were on the military side or on

the civil side. In fact, Sir, when I moved for a reduction in the grant for the Central administration, the Honourable the Finance Member, speaking for himself and for his colleagues, gave us an assurance that he would ask the Finance Committee to go into the expenditure and make a report to this Assembly. Sir, I am a member of that Committee and I have yet to hear of any intimation or notice that that Committee has to sit upon any question of retrenchment or economy in the administration of the country. Therefore, Sir, we consider that the condition on which we gave our co-operation in sanctioning the Budget last year has not been fulfilled.

Sir, on the military budget, we listened with great respect to the views propounded by His Excellency the Commander-in-Chief and by Sir Godfrey Fell. They told us that the matter was going to be investigated by a Committee and that the whole matter of the military expenditure would be carefully considered. I had the honour, by the courtesy of His Excellency the Commander-in-Chief, of appearing before a Committee called the Military Requirements Committee. Sir, that Committee held an investigation and they gave us an opportunity to give them our views. This Assembly is yet to know what the report of that Committee is. This Assembly is yet to know what His Majesty's Government at Home and the Sub-Committee which was sitting in London have done with reference to that report. We have to gather, we can only gather from newspaper accounts, that nothing has come out of that Committee. Sir, I had great hopes in that direction. Sir, there are two ways of looking at the military burden. It is all very well to succumb to experts and I am quite willing to succumb to His Excellency Lord Rawlinson in matters which appertain to the Army; but, in the matter of the financial capacity of the country, I am not willing to surrender the judgment of this House even to His Excellency the Commander-in-Chief. His Excellency the Commander-in-Chief and the military advisers of Government take the view that the country should afford it, whereas we have to tell His Excellency the Commander-in-Chief that the country can afford so much—you cut your coat according to the cloth we can give you. There are a few questions of broad policy connected with military finance on which this House and this House alone can pronounce a right judgment. Sir, take the proportion of the British to the Indian element in the troops. I think, Sir, it stands to-day at 1 to 2·5—that is, one British soldier for every two and a half Indian sepoys. I say, that is an extravagant proportion. Knowing as we do that the cost of the British soldier is nearly 4½ times that of the Indian soldier, I say, this proportion of 1 to 2·5, which might have been necessary years ago in the days of the Mutiny when the sepoy himself was a mutineer, in these days when the sepoy has shown his loyalty to the British Empire by shedding his blood for that Empire,—that you should maintain this proportion of 1 to 2·5 now is really appalling. That is one matter on which this Assembly can give sound advice.

Take, again, Sir, the proportion of troops which is required for internal security. I could wish for the day when we may be able to police the country without any military. Assuming that it is necessary to maintain the military for this purpose, are three-fifths of the Infantry required for internal security? How many of us here who are called upon to sanction the Budget know what proportion of the military is required for internal security and is maintained for internal security? Sir, we were told by no less a personage than His Excellency the Viceroy in opening this Assembly that autocracy was at an end. Is autocracy at an end in financial matters? Who lays the plans? Who advises the ways that things should be done for the military defence of the country? We are no better off—probably we are worse off—than the '*Pioneer*' in matters of information connected with military policy or the military affairs of Government. For instance, I find the memorandum which has just now been circulated explaining the position addressed to Honourable Members of this House was supplied to the '*Pioneer*' long before it was supplied to the Assembly. Now that is what I say. We have no voice. We are deeply indebted to His Excellency the Governor General for allowing us to-day to discuss military expenditure. I wish this announcement had been made 2 or 3 days earlier so that we might have come better prepared to deal with this question. To spring this permission on us at the eleventh hour like this is giving us a permission which I am afraid it will be very difficult for us to avail ourselves of with any effect. His Excellency the Governor General has been graciously pleased to accord this permission to the Assembly, but, Sir, coming as it does at the eleventh hour, it is worse than useless. My position is this. There are various ways in which military expenditure can be cut down and should be cut down. How many of us here in this Assembly know anything about Waziristan; and, as we are told that crores and crores of rupees are being spent for occupation

purposes, may I ask if we are taken into confidence—is any Committee of this House taken into confidence in that matter? These are all matters in which some of us, though we may not be military men, know the requirements of the country, we know the position of our countrymen, we know how hard it is for them to make both ends meet, we know how much this country can afford. Therefore, looking at it from every point of view, there is plenty of room, plenty of scope, for retrenchment and economy in all directions. That being so, the question of the deficit for which we are asked to find ways and means becomes important. Sir, last year we supplied the Government with 18 crores of fresh taxation, and what is the result? They come to us with a deficit. They say: 'We have spent the 18 crores and we have borrowed many more crores'. They have borrowed altogether some 70 crores. Sir, with regard to this borrowing again, how many of us were aware of it till the matter was announced and what voice have we got in it? Even the Standing Finance Committee were not aware of this borrowing. Therefore, Sir, to say that autocracy is at an end is mockery. It certainly is not at an end in financial matters. It certainly is not at an end in the matter of policy. It certainly is not at an end in various other matters. Therefore, Sir, we are in this position to-day. We have already, for one year, allowed expenditure, because we were new to the position and we did not want to rush things. But this year, if we sanction this expenditure, we will be standardising it. The world may legitimately say: 'Now here this elected Assembly has given its support to this standard of expenditure; they had opportunities and they availed themselves of those opportunities and having availed themselves of those opportunities they must have satisfied themselves that this expenditure is the rightful expenditure for the country to bear.' Can we honestly say that we have judged this expenditure and come to the conclusion that it is just the expenditure which the country should bear? Can anyone honestly claim that? Have we sufficient knowledge in that direction? Therefore, Sir, it will not be right for us to standardise this expenditure. Therefore, the time has come for the Government now and at once to begin an earnest examination of the question. It is no use telling us, 'Oh, we will do this or do that', and when March comes round again, we shall be told again: 'We are considering the appointment of a Committee of Retrenchment, the constitution of which is still under consideration.' That will be the result; but Sir, I am afraid, it is idle to expect us responsible men who owe a duty to the country to which we belong to recognise that this is the standard of legitimate expenditure on which you should embark.

Therefore, Sir, . . . .

**Mr. President:** I hope the Honourable Member is not about to embark on a new subject now.

**Rao Bahadur T. Rangachariar:** I will not, Sir. I am not going now to tire you with speaking on the taxation aspect of the question. The necessity for taxation has not been made out, and that is the view I take; and, Sir, I wish to close with these remarks. We had instances in our ancient texts when the King took counsel with my mythical ancestors, and the King was asked to follow this advice: Take for your example the bee. Take the leech for your example, and take the calf for your example; that is, take little by little. So also every King, every Government should keep that in view. It is no use trying to hurry the people into this heavy taxation. What is it? Last year Rs. 18 crores and this year Rs. 48 crores of fresh taxation, when, as I have told you already, the whole central revenue of the country is only Rs. 88 crores. So, Sir, I close with these words. All questions of taxes of Government are finally answered in the minds of men. Side by side with this growth, this appalling growth of expenditure, there is a growth in the spread of knowledge of economic and financial matters, and, with it, the knowledge of possible alternatives to a continuously mounting debt or burden of taxation. This psychological limit is probably more important and significant than any that is purely economic, and it holds within it the possibilities of revolution and repudiation. There are, in plain fact, definite limits to human endurance and they do not easily come into focus until they are dangerously close. They may be apparently lost in the mists of the future when in fact they are so close that a few years may bring them sharply into focus, but too late, as so often in history, for any effective preventive measures. To be willing to grant to-day what would have saved the situation, had you granted it yesterday, is one of the world stories that is constantly repeated without being learnt.

**Baba Ujagar Singh Bedi** (Punjab: Landholders): Sir, I have gone through the Budget and the proposals for additional taxation carefully. I am not a financial expert,—I am a landholder. But then, there are some

points in it which are of such general yet vital interest, that even a layman like myself is expected to formulate his opinion on it. The Budget is not merely a deficit Budget like its predecessors, but to quote '*The Statesman*' 'is a veritable calamity Budget.' To come directly to the facts and figures, it seems that the Government of India are apparently making rapid strides towards bankruptcy.

The Budget estimates an expenditure of 142¼ crores, as against a revenue, on the basis of existing taxation and including the provincial contributions of 920 lakhs, which will amount to 110½ crores, which makes a deficit of 31¾ crores. And this is not for the first time, but we have been shown such deficits for the last four years in succession. In 1918-19, the deficit amounted to 6 crores, in 1919-20, it amounted up to 24 crores, the final accounts of 1920-21 show a deficit of 26 crores. And if the budgeted deficit of the ensuing year, *viz.*, 31¾ crores, which, judging by the sad experience of the past, is almost sure to be exceeded, is added to it, it makes a total deficit of 121¾ crores in five years. And then, there is no likelihood of its ever coming to an end, since the causes at its back, as advanced by the Honourable the Finance Member, are not of a transitory nature. There is no hope of the events taking their normal course.

In fact, Sir Malcolm is faced with a desperate situation and he himself admits most frankly :

> I do not think these deficits are due to transient causes, that we can look for better times ahead and that we should consequently be justified in leaving things as they are, in the hope that before long our revenue will once more have equalled our expenditure. I must say frankly that I see very little prospect of such equilibrium being attained within a memorable period.'

The expenditure for the ensuing year has been estimated at 142¼ crores against an income of 110½ crores, which means a deficit of 31¾ crores. Now the military expenses amount to 62·18 crores, while all the other expenses are only 78·07 crores. In the Budget of the current year, as finally passed by the Assembly on the basis of new taxation, the expenditure was estimated at 127½ crores, as against a revenue of 128·33 crores, thus leaving a surplus of 71 lakhs, which surplus has got converted into the most appalling deficit. In the current year, the military expenses were estimated at 58 crores and non-military at 69 crores. One simply fails to understand the reason for this awful enhancement in the Military Budget. Almost 58 per cent. of the net revenue is squandered every year for the so-called security and peace of the country. India is no doubt paying a too heavy payment for it. The expenditure under this head deserves a close and scrutinizing attention for considerable curtailment.

Here strikes me an Indian proverb :

> 'Less strength and more wrath, is the omen of one's being beaten; less income and more expenses, the house is doomed to ruin.'

Now, if the expenditure of the Government goes on increasing every day and the people are called upon to pay more and more, the house of India would be ruined and bankruptcy would be inevitable.

We must cut our coat according to our cloth.

The Honourable the Finance Member has remarked in proposing fresh taxation that there are, in theory, three courses, which can be adopted, either separately or in combination,

(1) To budget for a deficit,
(2) To reduce our expenditure, and
(3) To increase our revenue.

And he is most true there.

But, Sir, the only place where we differ, is that he has failed to deliberate fully over his various alternatives. Budgeting for a deficit would no doubt be replete with many a sad consequence. But to say that there can be no scope in the reduction of the expenditure and that the only acceptable alternative is to enhance taxation does not appeal to me as sound.

Sir, I agree with '*The Statesman*' in saying :

> 'That it is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent.'
>
> (*Vide* '*Tribune*,' dated March 4th.)

Let me repeat here once more with '*The Statesman*' :

> 'That the Military Budget should have reached its present proportions is nothing short of monstrous.'

Sir, to propose fresh taxation on the already over-taxed country is a death blow to the people. I, every now and then, describe the pitiable condition of the over-taxed Zamindars to my friends and express my views regarding the amelioration of that community; and I am glad to see that those views up to a certain extent have been ably and beautifully explained by my Honourable brother, Colonel Sir Umar Hayat Khan, the other day in the Council of State, in connection with the introduction of the Income-tax Bill. Had I followed the dictates of egoism, I would have kept silent until the non-agriculturist classes would have been taxed, to the same extent as the Zamindars, from whom the so-called theory of State landlordism demands no less than 50 per cent. of their produce and in some cases actually more than 30 per cent. has been levied, whether or not they get any produce from their lands at all; although all other tax-payers, including the assessees of Super-tax, do not pay more than 10 per cent. of their income. But my conscience prompts me to raise my voice against any further enhancement of taxation, because of the following two reasons:

Firstly, if the various items referred to in the proposals for fresh taxation are accepted, the prosperity of the country would be greatly affected; and secondly, the Zamindars, whose revenue-settlement, that is taxation, never comes to an end, and who, being the favourite children of the benign Government, are never ignored, and are always the first to get their adequate share, directly or indirectly, whenever any taxation is proposed, are likely to succumb under its crushing weight. It was only the other day that the following words were uttered in the House of Commons, by no less a personage than the Secretary of State, in his justification of his policy, when his opponents made him responsible for the present disturbances in India. He says (*vide* '*Civil and Military Gazette*', dated February 17th, 1922):

> 'The next great cause of the trouble in India, for which he personally could not be held responsible, was the economic situation in the world. India was highly taxed, prices were high and the population was poor. The only cure was the development of industrial and agricultural resources of India in order that the people might become richer.'

And, Sir, the effect given to his advice to make India richer and to remove the present discontent, prevailing in the country, is a further indiscriminate enhancement of taxes and an increase in the present duty on Machinery, Iron, Steel, etc., from 2½ to 10 per cent., which are the indispensable factors of our industrial and agricultural progress. Sir, I am not here speaking in any way against the Honourable the Finance Member. Anybody in his place would have done the same. He has to frame his Budget according to the expenses of the country. But, Sir, I am here to oppose the expenses, so lavishly and indiscriminately incurred by the various departments.

Sir, I had a mind to speak at length on the various suggestions of increment, but I leave that to my abler friends, well-versed in finance.

It is a broad daylight fact that India is the poorest and the most highly taxed country in the world. The incidence of taxation is shown by comparison with the people's earnings; and, judged by their standard, the incidence is higher in India than in England. Even if the rate were the same, the pressure would be more keenly felt by the people of India, with their lower average income, than the richer people of England.

The Government of India, let me say, is pursuing the policy of taking and not of giving. This policy must be brought to an end, sooner or later, and the sooner the better.

With these few remarks, I would appeal to the Honourable Members of this Assembly to subject these proposals to a careful scrutiny and to think twice before they opine on the subject.

We ought to tax articles of mere luxury, like tobacco and wines, and not those articles of necessity which are the poor man's luxury.

I hope that the Honourable Members would see that the matter is not made worse than before.

**Mr. Darcy Lindsay** (Bengal: European): Sir, I do not propose to take up the time of the House in backhanded compliments to the Honourable the Finance Member for the able manner in which he has presented to this House, perhaps the most deplorable Budget it has been India's lot to receive (Hear, hear) and I will at once proceed to offer my criticisms thereon.

On the expenditure side, I leave it to others to again impress upon the Government the urgent necessity for drastic retrenchment in every direction (Hear, hear) before the taxation milch-cow runs dry, as there is every indication of her doing on the present scale of extraction. It almost reminds me of that illegal *phuka* practice adopted by a certain class of milk-dealers. It is well known I believe throughout India. (*A Voice*: 'In Calcutta.') Only a year ago we were faced with a deficit of 18¾ crores which was met by

this House in the sanguine hope that the tide was on the turn, and, aided by anticipated retrenchment, the Finance Member's task would this year be a happy one. Yet what do we find? Unrealized expectations as to the stability of that old bugbear, Exchange, a heavy fall in anticipated receipts from all principal sources of revenue, and, last but not least, no apparent retrenchment with the appalling result of a further deficit of the huge sum of 31¾ crores.

In the Budget now before the House we are, I hope, down to nearly bedrock, as regards Exchange, and it is in connection with the taxation that I propose to offer comments. I regret I cannot compliment the Honourable the Finance Member on the exercise of that imagination and ingenuity I am sure he is blessed with, for what has he given us but a repetition of just the same old taxation with a turn of the screw in varying degree according to how far he thinks the strain can be borne? The only innovation is a small excise duty of one anna on kerosine to balance the increase of one anna in import duty, and an import duty of 5 per cent. on yarn. In, again, applying the screw with increased vigour, merely because the unhappy victims of previous years' torture are thought to have a further kick in them, the Honourable the Finance Member reminds me of the handicapper of a steeplechase, where the unwise adjustment of heavy weights so frequently tells at the last jump. Don't overweight your horses or they will break down, as in the case of wines and tobacco. Bring in other starters to help you along, even although you only impose light weights.

On the assumption that many heads are better than one, I venture to suggest to Sir Malcolm Hailey that he offer a substantial prize or prizes for competition for proposals as to new taxation and showing results. I cannot believe that every channel has been explored, and such a competition might well produce interesting figures. Our old friend, Mr. Price, would no doubt enter and deal very effectively with the taxation of silver imports, (Hear, hear) about which he addressed the House last year, and my Honourable friend, Sir Frank Carter, as a member of the Sugar Commission, can deal with sugar, and tell you whether an excise duty can be borne. Then we have possibilities in our excise duty on Timber, Shellac, Tobacco, including Cigarettes, an increase in the excise duty on Jute. I have heard it said, perhaps in levity, that a tax on Barristers and Vakils would be very remunerative. (Laughter.) I doubt whether it will meet with the support of this House. (*A Voice*: 'We are already over-taxed'.) And last, but by no means least, I suggest the issue of Premium Bonds. I believe Sir Malcolm Hailey is a gambler at heart, judging by the way in which he manipulates our finances, and, as a gambler's last throw, let me commend premium bonds as a money-making proposition; and for further information I may refer him to Sir Montagu Webb and Mr. Nigel Patton, both experts on this subject. Now that the Bengal Government propose to recognise betting on horse races as a legal form of gain, or perhaps I should say loss, and intend to replenish their Budget deficits by what they facetiously term an 'amusement tax' on betting, why should we continue to have any qualms of conscience in regard to Premium Bonds which are surely a very innocent and popular form of speculation, or, as Bengal would term it, 'Amusement' and at the same time most profitable to Government, judging by the experience of Foreign Governments? If the Honourable Member does not perhaps approve of the idea of a taxation competition, I feel tempted to suggest our panacea for all ills—an Assembly Committee with a non-official majority, were it not for the fact that experience goes to prove much time and money is wasted with but little to show. I, therefore, suggest that an expert in taxation be attached to the Finance Department who would not be encumbered by the details of administration and would have time to study our system of finance and taxation and advise the Finance Member whether or not the basis of our taxation is as broad and firm as it can be made.

In criticism of the proposed taxation, I desire to draw the attention of the House to the very disturbing effect this annual increase in taxation of the same class of merchandise has both on the trade and the public, and herein lies grave danger to the Honourable the Finance Member's expectation of much gain from increasing imports, for the trade cannot stand up against such frequent volcanic upheavals. I venture to say, the necessary adjustments in retail prices due to the increased duty in last year's Budget have even now been barely completed owing to the working off of old stock at former prices, and, just as the public are settling down to new and increased prices, along comes a further bomb-shell in a repetition of the increase. There is also an aspect of the case that may have escaped the Honourable the Finance Member's attention, that, in these adjustments, it is frequently not possible to pass on to the consumer the exact amount of the increased taxation, and his suffering is even more severe than it was intended to

inflict. The result may well be a heavy fall in consumption, as there is a limit to expenditure without a corresponding increase in pay, and the Finance Member then awakes to the fact that the goose is dead. He sorrowfully admits this in connection with wines and tobacco, to which, I have previously referred.

As regards the increase of *ad valorem* duty from 11 to 15 per cent., I have no particular comment to make, except that the tax is unduly severe in many instances and may well retard that expansion in imports the Honourable the Finance Member so hopefully looks for. The increase in the Cotton excise duty and the 5 per cent. duty on imported Yarn seems to follow as a necessary consequence. The increase in the duty on Machinery, Iron and Steel, and Railway material is surely a retrograde step, however attractive the anticipated 4 crores 5 lakhs may appear. We are crying out for the manufacturing development of India and here we impose a serious handicap by increasing the duty from 2½ to 10 per cent. This, I advocate, should be removed or the Tariff revised. Matches and salt have come in for adverse criticism from my friends opposite, but, possibly, the objections to the increase are more sentimental than real, for it is difficult to realise how an increase of only 12 annas per annum to a household of four can be regarded as a hardship in these days of increased wages. It has to be borne in mind, when I refer to increased wages that in some directions they do not appear to be required nor do the people appear to be short of money. I think the coal district will bear with me when I say that, where a man formerly worked six days a week, and now gets double pay, therefore he works for three days only—I should imagine the extra duty on Textile goods will be more severely felt by the masses.

The gamble for a problematical extra 30 lakhs from spirits might well have been deferred to allow the trade to settle down. It was only last year, Sir Malcolm Hailey said, any attempt to raise the duties higher might yield less revenue and this year he admits to taking the maximum revenue possible. I have received a letter from a friend in the trade who writes to me as follows:

> The trade was wholly unprepared for another increase so soon after the staggering blow it received last year. Sales were seriously affected as the big drop in imports has conclusively proved, and it looks rather like vindictiveness to hit us again for so paltry a sum as 30 lakhs, at a time when the purchasing power of the public is at a very low ebb. It is confidently believed that the duty at Home will be dropped in the next Budget, it having over-reached the bounds of profitable exploitation, and, though I would not like to make a similar prediction in the present case, I am perfectly certain that far more harm will be done to business concerns directly interested than benefit will accrue to the Government. The fall in imports of whisky, brandy, gin and beer was from 807,949 gallons in 1920 to 617,049 gallons in 1921.

The misnamed luxury tax anticipates an additional yield of 75 lakhs, in spite of the experience that, during the greater part of this year, the imports have been very disappointing. I fear a further disappointment awaits our optimist and he would be better advised to abolish this special tax altogether. I would like to know how much of the 114 lakhs budgeted for last year has been realized. Why bicycles should be considered a luxury I cannot understand; they are not exactly a joy-ride and are in common use by clerks and artisans to take them to their work. Post office peons also use this 'luxury' in delivery work. Motor cars are also considered a luxury, and I again ask, why? I appreciate there may be a desire to check expenditure on costly cars, but to discourage motor traffic as a whole is a mistake. The taxi even is raised to the dignity of a luxury and will have to pay the 30 per cent. not only on the car but also on the tyre and tubes, and this equally applies to the many light delivery vans used in the course of business. A duty of 30 per cent. will be welcomed perhaps by American manufacturers as likely to kill the import of British and Continental cars, but I question, will the revenue gain thereby? For instance, a car costing, say, £600 or Rs. 10,000 landed, will pay a duty of Rs. 3,000 against Rs. 900 to Rs. 1,500 on the American car. I maintain that a levy of half the proposed duty would greatly increase the import of the former.

The raising of railway passenger rates by nearly 25 per cent. appears very drastic in face of the heavy increase during the past few years, and one can only hope the experience in England from high fares will not be followed here.

My Honourable friend, Mr. Subrahmanayam, will no doubt be pleased, as it may solve the problem of overcrowding. I hope suburban traffic will be given special concessions, as the raising of fares will be very severely felt by the thousands who come to their daily work by train. I would also suggest concessions to pilgrims visiting *Melas*. I realize that Railways should not show a loss, but, on the other hand, it is surely wrong to exploit the Railway to assist Budget deficits as is now being done.

I share with many Members the regret that Postal rates have to be raised, and desire to put in a plea for the retention of half-anna postage, even if it were to be confined to the familiar small embossed envelope and not to exceed ½ tola in weight. (Hear, hear.)

Taken as a whole, I do not like the Budget: it is very severe in some directions, both on the masses and on the well-to-do, while the man of small means is hit in all directions. There is no doubt the Budget will be welcomed by the non-co-operation party (Hear, hear) and add fresh fuel to the smouldering fire of discontent, for it is generally admitted economic causes are the main factor in causing discontent. (Hear, hear.) Reduce the cost of living and you have a happy people. (Hear, hear.) Retrenchment will then follow by its being possible to reduce the Army. I admit that some increased taxation was necessary, but, under the special circumstances of the case. I contend, the country would whole-heartedly have supported the Honourable the Finance Member in leaving an uncovered deficit very much in excess of 2¼ crores. He talks of bankruptcy, but I doubt if we are in quite such a parlous state. Why not prepare a balance-sheet as in the case of every business firm and see what assets the country has to place to capital account. It is only this year that certain expenditure is being debited to capital account, but why not take credit for past expenditure less necessary depreciation, and to some extent borrow on that credit, to be repaid on the prosperity years before us when the country is at peace. That happy state may be reached sooner than anticipated, if the Government will only examine the economic causes of discontent and do all in their power to remedy the same instead of, as I said before, adding fuel to the fire and giving a fresh lease of life to non-co-operation which, from all accounts, had not long to live. (Hear, hear.)

**Khan Bahadur Sarfaraz Hussain Khan** (Tirhut Division : Muhammadan) : Sir, in paragraph 7 of his speech, the Honourable the Finance Member says :

'Altogether then our expenditure is somewhat over 14¼ crores more than we expected; and the total deficit will amount to no less than 34 crores. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19, it amounted to 6 crores; in 1919-20, mainly due to the Afghan War, the deficit was 24 crores; our final accounts of 1920-21, swollen by many adjustments of arrear expenditure on the Afghan War and the Great War, showed a deficit of 26 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores.'

In paragraph 19 of his speech he says :

'I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained within a measurable period'.

Such is, gentlemen, your actual financial position as clearly shown and frankly admitted by the Honourable the Finance Member who, furthermore, with a view to enable you to solve the problem of how to meet the deficit, placed before you three courses that can be adopted, namely, (1) by budgeting for a deficit, (2) by reducing the expenditure, (3) by increasing the revenues. And, after giving his reasons for the undesirability and impracticability of (1) budgeting for a deficit and (2) reducing the expenditure to any appreciable extent, he has placed before you his proposals for additional taxation. Whatever the causes of the loss of revenue or of the increase of expenditure may be, the question of questions is, whether you are prepared to meet the whole deficit by taxation If you do, you will be increasing popular discontent. If you do not, you will have to revise the Tariff Bill and reduce the Demands for Grants submitted to your vote.

Military expenditure is no doubt a heavy burden on our financial resources, but I am one of those who believe that the safety of a country and its peaceful development depend very largely on its military strength. Military power is the solid foundation of civil power and without civil power the fabric of social order is bound to collapse and fall into pieces. Situated as India is, the maintenance of a sufficiently strong army, kept in a state of efficiency, seems to me therefore to be an absolute necessity. But, at the same time, I must point out that no military power, however strong, can stem the tide of disaffection, and disaffection is the fore-runner of social upheaval, and social upheaval that of revolution.

Here, I may be accused of drawing upon my imagination, but that is not so. Those who had had the pleasure and the advantage of hearing the Budget debates of the late Mr. Gokhale can appreciate my meaning. The seed of real discontent was sown when the public demand for the shaping of the Budget, according to the needs and requirements of the country, was not

accepted by the Government and the more Government insisted on their policy, the more the public discontent grew and increased in violence and intensity.

Now what has Mr. Gandhi done? He took advantage of the discontent prevailing in the country and inaugurated his non-co-operation movement, each item of the programme of which is calculated to alienate the sympathies of Indians from Great Britain. But what did the Government do to combat this growing danger? Instead of looking into the inwardness of the situation, they trifled with Mr. Gandhi and relied more as it seems to me on its military strength. The result has been what you find it now, namely, agitation and irritation on the one side and repressive measures on the other. But this is past history and there is no good crying over spilt milk. Still I submit that it would not be a wise policy for a constitutional Government to multiply causes for disaffection and then run to guard against the effects of such causes.

The Honourable the Finance Member has in paragraph 3 of his Budget speech said:

> 'Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade.'

I should say, improve the economic and the political will disappear automatically. Be less generous on the expenditure side of the Budget; cut your coat according to your cloth; obviate the necessity of additional taxation as much as possible; inspire more confidence in the people and then subsequently, if need be, twist the tail of agitators effectively.

In these circumstances, I would ask the Honourable the Finance Member and the Government of India to tackle the economic condition of India more carefully and I would furthermore wish that their administrative genius should save India from a financial crisis just as the military genius of Lord Kitchener and his fellow workers saved Great Britain from a military catastrophe.

Now, gentlemen of the Assembly, representatives of the people as you are, and representing the various classes and interests as you do and having the interests of the people at heart, see that you get a good return for every pice of the public money that you spend, and prove by your actions and deeds and not by words that you are the real friends of the people and thus save the country from passing into the hands of the agitators. Your actions at this juncture will be watched with very great anxiety, and the Assembly will be judged by your fellow countrymen by your work here. You have, no doubt, to labour under disabilities, the chief of which is that the Demands are divided into votable and non-votable and you are precluded from voting on the non-votable.

Just a few words regarding taxation. Placed as we are, we would be compelled by dire necessity to resort to taxation, but generally speaking, I may say, we should avoid hitting the poor and avoid taxing the bare necessaries of life. The riots and strikes have mostly been found to be due to, if not wholly and solely, at least largely, to economic causes.

I was interested to read the leader of the '*Pioneer*,' commenting on the Budget, saying that the Finance Member seems to have missed a valuable opportunity of placing before the Legislative Assembly and country a clear and reasoned exposition of the serious economic injury inflicted on India by revolutionary agitation, the effects of which, unless the evil is rigidly suppressed, will be more apparent in future Budgets. I quite agree with the '*Pioneer*' and I take this opportunity of warning Government not to be unduly influenced by the temporary suspension of lawless activities in the land. At the same time, I must point out that mere repression will not suppress agitation. Mere repression will only increase agitation and Government will have to change its financial policy with a view to lighten the burdens of the people. With these few words, I bring my remarks to a close.

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): In the brief space of twenty minutes that are allotted to each Honourable Member to discuss the whole Budget, it would be very difficult for me to refer to all the details and criticise them in order that I may place my views with regard to the Budget before this Honourable House, and I therefore propose to confine myself particularly to some items of taxation to which I take strong objection. In the first place, let me associate myself with the criticism that has been offered in this House by my Honourable friend, Mr. Rangachariar, on the Budget, especially on the huge and unjustifiable burden of military expenditure that has been mercilessly thrown on this

poor country. We have been told that we may discuss the military expenditure, but the Law Officer of the Crown has expressed the opinion that we are not entitled to vote upon the military expenditure. The very fact that there was found a necessity to refer the matter to the Law Officer of the Crown proves that the Government of India Act was not properly drawn up, but, leaving aside that argument, I submit, Sir, with due deference to His Excellency the Governor General in Council, that, although he is graciously pleased to allow the House to discuss the Military Budget, this House, I believe, strongly protests against this mere right of discussion and the denial to vote upon an item which is of such vital importance to the country. This House, Sir, I want to make it clear, is not a debating society. This House, Sir, cannot remain satisfied with the mere right of discussing an item which is going to tell so heavily on the country and its future prosperity. This House demands, and I believe demands emphatically, the right to say what it feels on this subject of vital importance. Sir, leaving aside the subject of military expenditure, I associate myself with the remark that was made by my Honourable friend, Mr. Darcy Lindsay, that this Budget is most deplorable. If I had not known intimately the views of my Honourable friend, the Finance Member, I should have been inclined to believe that probably he wanted to co-operate with the non-co-operators in making the reforms a complete failure. For, Sir, last year, in the first year of reforms, we were asked to vote an additional taxation of 18 crores. This year we are asked to face a taxation of nearly 32 crores. (*A Voice*: '29 crores.') What a good beginning we have made. In the first two years of reforms, this poor country is asked to bear an additional burden of a huge taxation of nearly 50 crores of rupees. Can there be a surer way, I ask the Government, of making the Reforms a failure? At a moment when the whole country is faced with a grave situation created by the activities of non-co-operators, I fail to understand what prompts the Government to come before the country with a proposal of this character asking it to vote an additional taxation of nearly 30 crores of rupees.

I do not speak here in the interest of one party or another. Everyone of us is here to speak what he thinks is right, in the interest of the country, and I cannot help feeling that if the Government persists in their policy of asking the country to bear this absolutely unjustifiable and unbearable burden, they will be doing everything in their power to defeat the aim that we have at heart of making the reforms a success, (Hear, hear), to shake the solid faith that we have in the reforms, and to help the activities of those who are out to overthrow the Government of the country. But I come at once to the method that is suggested by the Honourable the Finance Member of meeting this heavy expenditure,—the form of taxation that the Honourable the Finance Member has suggested to this House that we should adopt; and, speaking on these additional items of taxation, I want to make my position perfectly clear in regard to this. The House is aware, Sir, that I am a member of the Fiscal Commission that has been appointed by the Government of India to recommend the best fiscal policy that is suitable in the interest of the country. While I speak here on the additional items of taxation, I want to make it clear that nothing that I will say here either commits the members of the Fiscal Commission or myself, in my capacity as a member of the Fiscal Commission, or will in any way affect the view that I may ultimately take, along with my colleagues, on the question of the fiscal policy for India. But, standing here as a Member of the Legislative Assembly representing the city of Bombay, I must offer my criticism of this policy of additional taxation, especially of the forms of taxation that are suggested by my Honourable friend, the Finance Member.

I come first to his proposal to double the salt tax. I ask the Honourable the Finance Member whether he realizes, or not, that, while the incidence of three annas per head seems to him to be a trifling sum, this doubling of the duty on salt will affect considerably the average man in India, whose income per head is insignificant. I think I am right when I say that the teeming millions of India who consider salt a necessity of life—and I want the Honourable the Finance Member to remember that most of these teeming millions are vegetarians and therefore for them salt is a necessity—have all along protested against the duty that existed on salt. Will they be prepared to bear this additional burden? I am afraid they will not. And I again repeat that increasing the salt tax is encouraging the growth of discontent among the masses who are already being exploited, whose ignorance is already being exploited, by the non-co-operators. Well, leave the salt tax aside. Let us come to the Honourable the Finance Member's proposal for increasing the Customs duty. I admit that there is a good deal of force in the argument of the Honourable the Finance Member that, when the country is

faced with a deficit, Customs is one source to which he may look for additional revenue. But I submit that the Honourable the Finance Member has made a great mistake in including among his proposals that of asking the people of this country to pay an excise duty, an additional excise duty *A Voice:* 'On cotton goods') – yes, on cotton goods. The Honourable the Finance Member says that 'in framing our proposals we have, however, endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties'. I question, Sir, the truth of the remarks that have, with the best of intentions I am sure, been made by the Honourable the Finance Member. I ask the Finance Member whether, when he proposes to levy an additional excise duty on cotton goods, he departs or not from the principle that has been laid down by his predecessors. In 1916, when the import duty was first raised by Lord Hardinge's Government, a definite promise was given, both by the present Honourable Finance Member's predecessor and by His Excellency Lord Hardinge, that, however much the import duty may be raised, the excise duty, which revived all the bitter memories of the controversies between Lancashire and India of the old days, which led a great statesman like Mr. Gokhale to say that the darkest spot in the administration of India was the selfish fiscal policy that was imposed on India, which has afforded to Lancashire an unjust protection over India, in the beginning of its industrial development that that duty would remain intact and not only remain intact but would be abolished the moment financial considerations permitted it.

**The Honourable Sir Malcolm Hailey** (Finance Member): Will the Honourable Member kindly give me the reference for his previous statement that the duty would never be increased?

**Mr. Jamnadas Dwarkadas:** I shall just quote the words of Lord Hardinge himself to prove the correctness of my statement.

Lord Hardinge said in his Budget speech in 1916:

'Sir William Meyer has explained the attitude of His Majesty's Government towards the proposal made by the Government of India that in the new taxation proposed in this Budget the import duty on cotton should be raised, leaving the excise duty on cotton at its present rate, an assurance being given by His Majesty's Government of the future abolition of the excise duty as soon as the financial situation would permit of such a course, and, further, I need hardly say that the Government of India have no desire to create controversies here, in England or anywhere else at the present time by the discussion of questions affecting Indian interests; but they are glad to have had the opportunity of placing on official record their views that the import duty on cotton fabric should be raised, and that the excise duty should for the present remain at its actual figure, and an assurance given that it will be abolished as soon as financial considerations will permit.'

I ask the Honourable Finance Member whether it amounts to this, or not, that the intention of Lord Hardinge's Government, although they could not abolish it at the moment, was never to enhance it in the future.

But why has this proposal come from the Honourable the Finance Member? The Honourable the Finance Member says, that he maintains the character of the present tariff. A policy was laid down in 1916—and this policy was subsequently carried out last year also;—of raising, for the purposes of revenue, the import duty as occasion required and of leaving the excise duty intact; I would ask the Finance Member whether he does or does not depart from that policy, which was laid down in 1916 and subsequently adopted by him, when he makes a proposal for increasing the excise duty? Sir, I do not want to go into the history of the excise duty. Honourable Members of the House are aware that the very mention of excise duty revives in our minds the old and bitter controversy between Lancashire and India when the interests of India were always subordinated to the interests of Lancashire. I want to ask, Sir, whether or not the Honourable the Finance Member has, unconsciously perhaps, played into the hands of the Lancashire people when he comes out with a proposal to increase the excise duty. Throughout the last year we have seen that agitation has been going on in England from day to day asking the Secretary of State to lessen the burden of the import duty and to raise the countervailing excise duty, and now the Honourable the Finance Member comes with a proposal to levy an additional excise duty. Sir, it is a fact well known to all the Honourable Members of this House that, while imported cloth is used by only a fraction of the people of India, mill-made cloth is used by the masses of India; and when you place an additional burden of four per cent. on that mill-made cloth, it is not the mill-owner alone who will meet the extra cost from his pocket, but the poor consumer—one of those teeming millions of India—who will have to bear the additional burden of the 4 per cent. I ask the Honourable the Finance Member, when England was faced with the gravest financial considerations during the war and when every possible and conceivable avenue of additional taxation was explored, did

ever any one in England venture to suggest that the production of cloth in that country should be taxed? Does the Honourable the Finance Member mean to say that, if such a proposal had been made in England, it would not have met with the greatest possible opposition from Lancashire merchants and the people of Great Britain? And yet, in India, a proposal of that character, for taxing the poor consumer for a necessity of life, is made and we are told that we must look on it with equanimity because the financial considerations of the Government of India demand that such a duty should be levied. Sir, I think that the House will be at one with me when I say that not only this House, not only the mill-owners—in whose interests certainly I am not standing here,—but the whole population of India resents strongly the levy, the imposition of this duty. If in the year 1922, in the second year of the Reforms, this proposal is persisted in by the Honourable the Finance Member, the only inference that we can draw from it is that it is not this Assembly which is to guide the Government with regard to its future policy, but that our interests are still to be subordinated to the interests of Lancashire and that we are to be ruled in the interests of, and at the dictation of, the merchants of Lancashire. Sir, I strongly protest against this excise duty and I feel that, considering especially the times in which we are living to-day, no more unfortunate proposal could have been made by any Finance Member.

I then come to the increase in railway fares . . . .

**Mr. President:** The Honourable Member's time is nearly up.

**Mr. Jamnadas Dwarkadas:** I want to point out, Sir, that along with the excise duty, the additional duty of 7½ per cent. on machinery and the duty of 15 per cent. on stores, dye-stuffs and sizing materials, will increase the burden on the industry of India and that all the proposals that underlie the principle of this Budget will have the effect of penalizing the industry of India, on the growth of which depends the future prosperity of this country.

Sir, one word more and I will have done. There is a proposal to increase railway fares. I submit, Sir, that, even if a case is made out for the necessity for an increase, I hope this House will see to it that no additional burden falls on the third class passengers, who are being very badly treated compared to the bulk of the revenue that they pay to the treasury. Sir, I am afraid I have exceeded the time limit, but I hope that, considering the gravity of the situation and considering the fact that we are asked to sacrifice the principle for which we have fought all these years, these new proposals for additional taxation and especially the principle underlying them will not be accepted by the House.

**Mr. P. E. Percival** (Bombay: Nominated Official): I do not wish, and I shall not attempt, to speak on behalf of the Government of India, which I do not represent I only wish to say a few words as an onlooker, though possibly from a different point of view from that of some of the Members here. Now, in regard to the additional taxation, I will not add anything, except to point out that, while several Members have asked for reduction of taxation, we have not yet heard any proposal for increasing taxation, in order to make up the deficit with which we are faced. I believe, however, that the Honourable Mr. Spence has some proposals to make on those lines, There is one thing, to which I wish to refer, in the Honourable Mr. Jamnadas Dwarkadas' speech. I understood him to say that the mill-owners will not pay the additional excise duty. Well, Sir, if they will not pay the additional excise duty, they need not trouble over the matter. If the consumer is going to pay the excise duty and the mill-owner is not, then, it seems to me, it does not materially affect Bombay.

But Sir, the chief objection that has been taken to the Budget is that there is too much extravagance on the part of Government. We have often heard that the Government of India is very extravagant. We have heard that so often that people have finally come to believe it But is that assertion supported by facts? Now, Sir, I should like to refer to the remarks of a gentleman who has spoken on this point; and I think that there could hardly be a more independent person anywhere in the British Empire. I wish to refer a speech by Lord Selborne. Lord Selborne is known more as an administrator than a politician. He was First Lord of the Admiralty; he was High Commissioner in South Africa, and he was Chairman of the Joint Committee of the two Houses which sat on the Government of India Bill. He is, therefore, an administrator with an experience of three different parts of the Empire; and this is what he says:

'The Government of India was originally formed on the most simple lines possible. Its tasks were to preserve order, to administer justice, and to collect the revenue. It really was an absolutely ideal Government after the conception of Government of the Manchester School. I do not suppose that such an economical Government has ever existed before in the history of the world'. (*Laughter.*)

Those are Lord Selborne's words. If Honourable Members do not agree with him I cannot help it.

'. . . and I do not suppose that the world will ever again see its like. It is quite extraordinary for what it has done with a very small man-power and with the smallest possible budget.'

That is the opinion of an independent gentleman. I will read a few further remarks of his, which may possibly interest Honourable Members of the Treasury Bench :

'At the present moment, in my judgment, the Government of India in every Department is entirely undermanned,' (*Laughter*)—'and the men who correspond to Ministers in this Country are grossly over-worked. I want to lay the greatest stress on this—the cheapness, the economy, almost the stinginess in man-power of the Government of India at present'

Honourable Members will see that he used the same adjective as my friend, Sir Frank Carter, used regarding the Finance Member.

**Dr. H. S. Gour :** Is it a contribution to *'Punch'*?

**Mr. P. E. Percival:** This is a speech made by Lord Selborne in 1919 on the Government of India Act. Sir Frank Carter described the Finance Member as a stingy man; and that is the position. The Government of India is stingy. It has always been stingy. (*A Voice* : 'Shame'.) Perhaps, however, it may be asked, if the Government is so economical, why is it that we have got this deficit ? I suggest that the answer can be given in two words, namely, the war. If the critics of the Government can mention any other country in the world, any civilised country, where prices are low and taxes are low, where the finances are good and the exchange is good, we shall be very glad to hear of it. There are pensioners in all parts of the world looking for such a country to live in. (Laughter.) We are told that the Channel Islands are full of pensioners trying to escape the British Income-tax.

**Mr. N. M. Joshi:** Go to Germany.

**Dr. H. S. Gour:** Or Switzerland.

**Mr. P. E. Percival:** At any rate people are going to the Channel Islands to try to escape the British Income-tax, which, I may mention, is 6 shillings in the pound (that is, a little less than 5 annas in the rupee), which is 3 times as high as the highest rate of income-tax proposed in the present Budget. The Honourable the Finance Member has in fact pointed out the real reason for this big deficit, namely, the abysmal depths to which trade depression has fallen. The same remark was made in the *'London Times'* in its financial review of the year 1921. It is there stated that the trade depression is the worst that has occurred for 100 years. In the same article it is mentioned that the expenditure of the British Government in 1921 was six times the amount of the pre-war expenditure so that this trouble and deficit are world-wide and universal.

One other point, which, I think, has not been mentioned by the Honourable the Finance Member, but which strikes me, is that we are faced with a double difficulty; and that is that, while on the one hand we have got a slump, on the other hand at the same time we have got high prices—that is to say comparatively high prices when compared with the pre-war prices—and this is a point which, I think, perhaps is not sufficiently remembered. If prices have increased 50 per cent, it is evident that a Budget of 150 crores now is the same as a Budget of 100 crores in the past. There is no real increase, but only a re-adjustment in accordance with the prices ruling at the present time. I do not know how far prices have increased. I see, however, in the statement regarding labour in Bombay that there is an increase of 73 per cent. in the prices of articles required by labourers there over the prices in July, 1914. This brings me to another point to which I wish to refer. It is suggested that the Budget may be equalised to some extent by curtailment of expenditure on the civil side.

**Dr. H. S. Gour :** Military and civil, both.

**Mr. P. E. Percival:** But my question is whether it is capable of any curtailment of expenditure on the civil side. The Honourable the Finance Member spoke as follows :

'We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment and an announcement will shortly be made on the subject. But the field of civil expenditure over which that inquiry can range is small; it does not extend to more than 20 crores; and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance.'

Our body of Government servants, pensioners and so forth, are the persons who suffer more than anybody else from the increased prices. Others

may have gained or may have lost, as for example, the manufacturers, traders, agriculturists, etc. But the poorly paid Government servant is bound to lose by increased prices. We shall, therefore, not be justified in reducing the pay of these Government servants. Little will be gained by so doing. It cannot be held that by reducing the pay of the low-paid Government servants, it will, to any material extent, meet the deficit. The only way to meet the deficit, Sir, is by increased taxation. (*A Voice*: 'We do not want to reduce the pay of the low-paid Government servants'.) The Honourable Mr. Harchandrai Vishindas said that a very sweeping curtailment of expenditure is necessary.

**Dr. H. S. Gour**: From the top.

**Mr. P. E. Percival**: I do suggest that it cannot be done on the civil side.

There is just one other point to which I wish to refer. I have heard it stated—I am not in the confidence of the Democratic Party or of any other Party—but I understand that some suggestion is made that taxation should not be increased, because objection is taken to certain items in the Military Budget. I am sure that that is a position which will not be accepted by this House. Let us consider for a moment the constitutional position. It is simply this. There are A and B, two parts of the expenditure. A is votable and B is non-votable. Now, the Assembly may change A to A-1; and then A-1 *plus* B should be equal to C, the total on the revenue side. Now this amount C, the Assembly may obtain in any way that they may desire, by reducing one tax and increasing another. But one cannot say that, because the Assembly do not approve of B, which is a non-votable item, therefore, they will be justified in refusing to vote the necessary taxes, in order to make up a sufficient amount on the revenue side. It cannot be held that, because the Assembly do not approve of any particular non-votable item, therefore on account of any difference of opinion in respect of that item, they would be justified in refusing to vote the necessary taxes for the administration of the country. Well, Sir, in the discussion on Mr. Mazumdar's Resolution in Simla, it was pointed out—and rightly pointed out—that this Assembly had gained a reputation for sobriety and statesmanship. I venture to suggest that that reputation was gained, more than by anything else, by the action that was taken in this Assembly last year, in March 1921, in connection with the Budget of 1921-22. Sir, I am sure the Assembly will not turn back on their decision of last year, but that they will adopt the same principle this year; that they will again rise to the occasion, and that they will do all that they possibly can to maintain the credit and the financial stability of the country.

The Assembly then adjourned for Lunch at Half Past Two of the Clock.

---

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President was in the Chair.

---

**Mr. Manmohandas Ramji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I rise very reluctantly as I have to perform a rather painful duty. But as it is a duty all the same, I feel as in duty bound that I cannot let this opportunity slip without submitting an emphatic protest to the proposals made in the Budget by the Honourable the Finance Member.

It is indeed a matter of regret to find so high a deficit as that of 34 crores of rupees. The Honourable the Finance Member realised the gravity of the situation, as his words quite in the beginning indicate. They are:

> 'The world was watching to see how this, the youngest of Parliaments, would meet a test, which might have strained the capacity of many an older institution.'

True; very true; really it is a very severe test through which we are passing. But then, I am afraid I must point out that the course suggested by him is not a judicious one to meet the situation. Instead of effecting any reduction in the expenditure, he comes before the House and asks for a tremendous increase in the already heavy taxation. I am sorry to find, Sir, that there is not the slightest indication anywhere in the whole Budget for retrenchment. I know that we are asked to live under hopes. We have been told that we are committed to an inquiry into the steps necessary to effect retrenchment, and also that the field of expenditure, civil expenditure, over which that inquiry is to be held, is small.

May I ask this Assembly to consider and consider seriously whether it will be right on our part to go on sanctioning more and more taxation year

after year, especially when we have been already informed by our worthy Finance Minister that there is only a limited scope for retrenchment of expenditure in the Civil Departments? I daresay some limited scope may be found in the Railway and Post and Telegraph Departments. The fact is that the expenses go up from year to year on the contrary.

Goods rates have been increased on the Railways; it is proposed to increase passenger fares by 25 per cent. Within the last few years passenger fares have gone up nearly 3½ to 4 times. The Railway Department, I beg to assure the House, can spend as much money as may possibly be provided to it for expenses; while there is little or no possibility of reduction of any kind.

Then comes the great question of the military expenses. We have no control over the expenses. They must be paid, however exorbitant they might be from our standpoint. We are unable to reduce them by the Act, and we are not responsible for them. Within a short period the military expenses have gone up three times. The position we are face to face with is that, on the one hand, there is a tremendous deficit in the Budget, and, on the other hand, our conscience within tells us that the heavy burden of the increased taxes will be too much for the poorer people of the land, and they will not be able to tolerate the same even unpleasantly. Let us survey the whole situation calmly.

We voted for increased taxation to the extent of nearly 18 crores last year and within two years very nearly 50 crores. To make up this deficit we have to sanction a large increase in taxes, as for instance, 25 per cent. in passenger fares, 10 per cent. on the already high duty on sugar of 15 per cent., *i.e.*, altogether 25 per cent. on that important commodity of daily consumption. Machinery, ships and ship-building materials and Railway materials will have a duty which will be four times, *i.e.*, from 2½ per cent. it will have to go up to 10 per cent. under the proposed increases. Locally manufactured piece-goods 7½ per cent.; the duty on salt is proposed to be doubled. An enormous increase in income-tax and super-tax has been proposed. The postal rates have been doubled. Duty on yarn used on hand-looms is to be 5 per cent.; duty on matches to be four times, *i.e.*, from 6 annas it will jump up to 24 annas per gross boxes. It may be noticed very clearly that the majority of the taxes have to be borne by the poorer people of India. Salt, matches, postcards, tobacco, locally manufactured cloth and the like commodities have to be consumed by the masses of the people, who are poor everywhere, but specially so in this poverty-stricken land, poor India, *Gharib Hindustan*. The average increase in taxation within the last two years comes to one rupee and eight annas per head per annum.

Now let me say a word regarding the proposed increase in cotton excise duty. This duty is obnoxious and a very contentious history. If this duty is sanctioned, it will bring 5 crores and 3 lakhs of rupees instead of 2 crores and 20 lakhs, or roughly 2 crores and 80 lakhs more than last year. Let us now compare this increase with the proposed increase in the duty on the imported piece-goods. It is proposed to increase it from 5 crores to 6 crores and 81 lakhs. Locally produced cloth tax will increase by 2 crores and 80 lakhs while imported piece-goods have been calculated to bring in only one crore and 81 lakhs more of tax. Is this fair? Is this the way in which you are going to protect your industries? This is all evidently quite alright for the Manchester merchants, but not for us Indians, permit me to point out. We are all aware how bitterly Lancashire agitated and waited in a deputation on the Secretary of State last year, and we all know that our Government had to yield at last. I assert positively that no country or nation on earth could have tolerated such a treatment from its Government even for a moment. What right has Lancashire to dictate? I forget, Sir, that this is India and anything and everything will be possible and will do here. But permit me to point out to Lancashire that those days of dictating have gone and we are able at least to shape our own fiscal policy as we like now. The injustice does not stop here; it goes a step further still.

All the stores, dye-stuffs, sizing and finishing ingredients have been proposed to be taxed with a duty of 15 per cent. to be paid twice over. Machinery of all kinds and the spare parts thereof will bear a duty of 10 per cent. if the present proposals are to be accepted. This proposal, Sir, to subject machinery to a tax of 10 per cent. means a tax on Capital. May I ask if this is wise or just? Can a tax be imposed on Capital justly, or even wisely? I shall not answer this question. I shall simply quote the words of our distinguished past and present Finance Members.

When the Tariff Amendment Act (XVI of 1894) came up, the then Finance Member, Sir James Westland, made the following remarks :

'Imported machinery we all accept as necessary to exempt, any other course would be tax on Capital, a tax on our own manufactures and a protection to competitors outside India.'

He further said :

'The exemption of Machinery we based on the principle that it was undesirable to burden it with a 5 per cent. duty, Capital employed in the productive industries of the Country.'

Then again last year only did our Sir Malcolm Hailey, when introducing the Budget, say :

'In the interest of India's industrial development increased taxation on Machinery Metal and Railway plant, is undesirable.'

It will be observed by the Assembly that both Sir James and Sir Malcolm deprecated the idea of taxing Capital, and yet it is our misfortune this year that even the broad principles and the chief policy is neglected by the very same gentleman who propounded it only so far back as only 12 months, only one single year of 365 days. (Laughter.) The reason is not far to seek or search. The deficit in the Budget is rather heavy and you cannot under any circumstances reduce your military expenses. Poor India has to pay countervailing excise duty on all stores and dye-stuffs twice, and also a duty on Capital! The Government of no other country could have dared to do such things. I strongly protest against raising excise duty and duty on machinery.

Let me examine the proposal to raise this countervailing excise duty more closely. Mills will have to pay by way of tax 5 crores and 3 lakhs next year against 2 crores and 20 lakhs of last year, while imported foreign goods, I mean piece-goods, will pay 6 crores and 81 lakhs next year against 5 crores of the last year. The above figures prove very clearly that the Indian manufacturer will have to pay much more than his competitor from a foreign land. Besides this a further burden will fall on the Indian manufacturers. They will have to pay nearly 10 lakhs more by way of taxes on stores, dyes and spare parts. They will have to bear further freight charges on coal, and machinery. In all, I think, the Indian Mills will have to pay 3 crores and 50 lakhs, while the duty on imported foreign piece-goods will be only 1 crore and 81 lakhs more.

This measure, permit me to point out, will protect Lancashire mills very largely and the Japanese mills only to some extent. Pray note very kindly that this charity will be at the expense of the poor Indian people. We are all aware how Lancashire agitated so that countervailing excise duty may be imposed, and the result is there, all too well known to you all to need any mention here. No other country or nation could ever bear this treatment at the hands of its Government. But this is poor India! Helpless India! May I ask if it is governed to protect foreign industries?

If the Honourable the Finance Member wanted to make up the deficit in the Budget, he should not have touched this important industry alone, but the burden should have been equally distributed over all Indian industries, such as the Iron and Steel Industry, Jute Mills, Coal Mines, Oil Mills, Flour Mills, etc. All these are companies, big concerns, why not tax them all, if that tax is justified from any standpoint or view? Why have you selected this particular industry to be penalised?

Besides this, Sir, poor Indians will have to pay double rate of tax for salt; for matches they will have to pay four times. Within the last four years, we have spent 90 crores of rupees. The taxation has been increased by 50 crores within the short period of two years, which works out at the rate of 1½ rupee more per head. Now, Sir, the question is how far and how long this increase in taxes will continue. By retrenchment you can certainly save a few lakhs here and a few lakhs there, but that will not help you unless you can reduce your military expenses by 20 to 25 crores. It rests with the Government now whether they will or can reduce the military expenses. If they do not do it now, I am afraid it will be impossible for them to govern this country. People have been taxed to their utmost capacity, they are quite unable to pay any more taxes. Reduce the expenses of the Military Department, even at the risk of efficiency and even safety; withdraw from Waziristan, reduce civil expenses, Indianise your services, and do everything possible to effect economy, otherwise it will be difficult to govern India.

The Indian Merchants Chamber suggests a diversion of 6 crores of interests in paper currency reserve and excess of gold standard reserve to revenue; they also consider cancellation of notes with dismay and fear a serious financial crisis, which will prove disastrous to trade, industries and Government finances.

Under all these conditions, and for all the other reasons that I have advanced, I consider that I must protest very strongly and oppose all demands for new taxation except increase in customs duty, with the exception of machinery and stores. I further consider that it would be best for this House not to become a party to the increase of taxes, but let the Government take the responsibility and do as they like: let them reduce the military expenses or increase the taxes as they choose or think best for themselves, for their stability and for the good of the country they are governing. Let the entire responsibility be theirs.

**Haji Wajih-ud-din** (Cities of the United Provinces: Muhammadan Urban): Sir, the present Budget comes as a great shock and the public in general is rather thunderstruck by the extraordinary increase all round. We anticipated a deficit, no doubt, as the prevailing circumstances are such that a deficit was sure and certain, but, when it was an admitted fact that the country is passing through highly disastrous conditions, the population is on the very verge of bankruptcy, and the discontentment was due more to economic causes than to any thing else, so, under the circumstances, Sir, it was not a sound policy to adopt such measures as may rather add to than alleviate the present sufferings and hardships. The present Budget, if adopted just as proposed, I may be excused for saying, would be nothing more than to fan the flames, and would certainly increase the depression all the more in the commerce and industry of the country, thus helping to widen the discontent in the public mind. The poor are already badly hit, and no doubt the increase in postal rates, passenger fares, and duty on articles largely consumed by the poor, will, no doubt, render them totally insolvent. I may be allowed to say, Sir, that the Government are not retrenching their expenditure as much as they ought to do, and that they should have found money from other sources than merely from trade and commerce. Sir, if the Budget were carefully scrutinized, it would be clear that the Government has not exercised economy to the fullest extent possible. The Government are well aware how far the present Reforms are approved by the country and it is feared how much more the continuous increase in the already heavy taxes and duties since their inauguration will render them still unpopular. I am afraid, Sir, the non-co-operators will find another opportunity to perturb the public mind which is already greatly disturbed. (Hear, hear.)

I would have been very glad to see the actual luxuries taxed twice as much as before, but it is highly disappointing to find many necessities of life among the luxury schedule of 30 per cent. and several of the highest necessaries being proposed at somewhere near cent. per cent. Take for example, matches and salt. Can any one say that they are something else than the urgent necessities of life? The average price of ordinary matches is something about Rs. 1-8-0 per gross, and to tax them Rs. 1-8-0 per gross is surely nothing less than cent. per cent. As for common salt, I may say, Sir, that the pre-war rates were about 6 pies per seer. Even in times of war, when it was difficult to get hold of this commodity for want of wagons, the price did not go up more than one anna per seer. But now we are going to tax it at a rate of one anna per seer. (Hear, hear.) May I venture to ask my Honourable friend, the Finance Minister, who is going to suffer from this enormous and unjust taxation? None but the poor, whose daily diet is nothing but bread and salt. Sir, it is very easy to say in this spacious hall that the salt duty will tax only three annas per head per annum, but it is very difficult to realise how this three annas will be spared by the poor and how many heads will suffer for this three annas. A Persian poet has rightly said:

'Oh, you, Sir, whose foot not a thorn has pierced, how can you know the condition of those who are hit on the head by the sword of misery.'

Kerosene is another instance of those daily necessities on which the duty is being enhanced. The selling price will no doubt be proportionately increased, and again the poor man, who has a very limited means of livelihood, is bound to suffer. I quite agree with my Honourable friend, Mr. Darcy Lindsay, in saying that bicycles can never be considered a luxury when they are now generally used by peons both in Government and business offices throughout the country. As the House knows, I am the owner of one of the cycle importing firms in the United Provinces who import and deal largely in cycles, and I know very well that the number of purchasers of cycles who use it for pleasure purposes is very small.

Besides the increase in duty, Sir, there is going to be an all-round increase in goods freight of 25 per cent. from the 1st proximo, which will mean another substantial advance in rates on all those stuffs, and I am afraid the country will be left short of a ruinous state. By the increase of prices the consumption is bound to be reduced, as we have already experienced,

and therefore, the object of increasing the revenue will not be attained at all. May I suggest to tax gold and silver, which are so freely imported into India and are only luxuries, to double the duty on liquors, the great nuisance of the country, and to transfer precious stones, piece-goods and other textile fabrics, perfumery and marbles, from part V to part VI, as well as aeroplanes from part III to part VI; and I am sure by doing so we are to get revenue increased without cutting the throats of the poor.

Again, Sir, any increase in postal rates is another hit, especially to the poor, and an advancement from the declared policy. I would never agree to the abolition of pice postcards and half-anna envelopes, but I would suggest, Sir, that the three-pice postage may be abolished and from ½ tola to 2½ tola an anna may be charged, but up to ½ tola the same ½ anna may be continued. It is not fair that an anna should be charged on letters passing through Indian territory which is a very limited radius if compared with 2 annas charged on letters passing between India and Australia—from one end of the world to the other. May I suggest, Sir, that a universal rate of 3 annas be fixed for all foreign countries either in or out of the United Kingdom to make up the deficit in postal income.

In conclusion, I earnestly hope that my remarks will receive kind and careful consideration of the House to meet the critical situation of the country.

**Mr. R. A. Spence** (Bombay : European) : Sir, I would not for one moment that this Assembly should believe that I am not in sincere sympathy with the Honourable the Finance Member when he stands before this House to make his *apologia pro anno suo*. He has my sympathy in the woes which he enumerates; he has my admiration for the manly vigour with which he faces his difficulties and my high hopes that he will be able to overcome them. But when he tells this House that no part of this deficit could have been avoided, I would remind him that he closed the last year's debate with a statement that this House had given him all that he asked for and with a query as to why he should be pressed to take more than he asked for? Also, when he says that his rosy computations of the average rate of exchange throughout the year passed this Assembly without challenge or criticism, well, I cannot bring my memory into line with his . . . .

**The Honourable Sir Malcolm Hailey:** I rise to a point of order, Sir. I did not make the statement attributed to me by Mr. Spence; and if his memory is so good I would ask him to repeat the exact words which I did use in that connection.

**Mr. R. A. Spence:** I will try to bring my memory into line. I have not got the exact words for the moment; and I am afraid that the Honourable Member's memory may be a little bit better than mine, but I understood him to say that. I apologise. Anyhow, it is a very good thing that the Finance Member has a good memory. I must congratulate him on that. But, despite his good memory, I am afraid—with the tears that I am shedding this moment over my lack of memory—that this Budget is indeed a Budget of tears, and tears will contribute nothing to revenue, unless perhaps it would be to the salt revenue and that only in exiguous degree. But I must express my admiration for the way in which the Honourable the Finance Member in this transitional period of our fiscal recreation has adopted a policy of levying taxation upon consumption rather than upon production. Generally, I shall abstain from the criticism, that so many Members have gone in for, on the actual contents of the Budget. But approving, as I do, the policy of taxation of consumption, I can but express my regret that the Honourable Member has faltered in his faith, in word though not in deed, by the introduction of that disastrous word 'excise,' the lasting anathema of every manufacturer in India. What he has proposed is not an excise tax; it is in reality again a tax on consumption, and if he will but re-name it so—and from his speech he evidently does intend it to be so—I am sure that much of the opposition which this obnoxious word will produce will disappear . . . .

**Mr. Jamnadas Dwarkadas:** Not at all.

**Mr. R. A. Spence:** I hope so. I want it to disappear. Moreover, I find myself unable to comprehend why, with yarn, one of the staple products of India, he should desire to place any lower duty on the importation of the half manufactured material which is, as we all know, in direct conflict with the productions of this country, than upon the importation of the articles which are manufactured therefrom, thus giving a clear bounty to competitors in raw material. Again, I would point out that there already exists a material industry in India connected with the manufacture of cigarettes of low price. This industry is stimulated and wisely stimulated by the fact

that the duty on unmanufactured tobacco is comparatively a low one, but the effect of this wise provision is discounted by the fact that the duty imposed upon imported cigarettes is an *ad valorem* one, thus stimulating the competition of that which this country can produce, while sterilizing the trade in that which it cannot. Now, the Honourable the Finance Member is better acquainted with figures than I am; but I doubt if he will contradict me in what I say now, that is, that the figures of last year show that, if this duty were changed from an *ad valorem* duty to an all-round duty of Rs. 4 per pound on cigarettes, the revenue would have been materially increased.

One of the reasons which the Honourable the Finance Member has given for no change in the duty on cigarettes is that any change would produce a smaller revenue, and, if you come to think of a tax of 75 per cent. on the value of the cigarettes, naturally any change higher would produce a smaller revenue, but I maintain that the duty changed from an *ad valorem* one to one of Rs. 4 per lb. would give the Honourable the Finance Member a bigger revenue than he is getting at present. I only hope that he will agree with my figures, and we all want more money. I say that the revenue would be materially increased, but the protection of the existing industry would in nowise be impaired and the importation of a better article than can be locally produced would not be beyond the bounds of possibility.

Well, Sir, to my mind two points stand out steadily to be conserved by all lovers of India. These are stability of Exchange and some effort to produce a scheme of forward finance which will lead to the eventual assimilation of the indigestion patch in our finances created by the war. On these two points the Budget which is before us is less remarkable for what it contains than for what it omits. I would remind the House that the period of pre-war prosperity which visited India was almost entirely built up on a stable Exchange which enabled our stream of commerce to flow abroad into those channels which most required its irrigation unchecked by serious fluctuation. Now, the Budget newly introduced, with its threat of the forced resumption of sales of Council Bills, is most depressing in its forecast of Exchange, and, the lower the fall of exchange, the greater will be the loss to India by this operation. The Honourable Member—I am doubtful, my memory is so bad—but still I think that the Honourable the Finance Member has clearly foreseen this, for in his remarks upon Exchange, he, the prophet of 1/8, holds out to us no higher possible prospect than 1/4. Last year the Honourable the Finance Member laid a leaden hand on luxuries, and stern ascetic that he is, classed in this category such everyday essentials as umbrellas and motor cars. But there are two conspicuous luxuries imported into this country which in value outweigh almost any other import and yet of one the Honourable the Finance Member would appear to have said:

'By Jove I am not covetous for gold.'

and of the other

'Silver thou pale and common drudge, I'll none of thee.'

With regard to gold, I would like to disarm criticism by saying that I am referring to gold that is used in the arts, if that might satisfy the Honourable the Finance Member for the moment. But, as you will understand, taxation by way of import duty of these two important imports would not only help the Exchequer directly, but would serve to steady Exchange and minimise the effect of the resumption of the sale of Council Bills. Now what India wants, I am not going to repeat again that little story of my friend, the Honourable Mr. Abul Kasem, who told us about wants, but what India wants is neither high exchange nor low exchange, but a steady exchange which would enable her to enter the world's markets with her surplus exports untrammelled by one of those fluctuating factors which forecast friction and forbid fruition. I desire to commend this matter to the consideration of this Honourable House and ask them to consider it without the prejudice which is derived from precedent.

Turning to another point, I would remind the Honourable Member that but a year ago he expressed his desire, and lamented his inability, to be honest with his creditors. Since then, two committees have sat and reported on the subject, but no word of reference to their deliberations has found a place in his weighty and well considered Budget speech. Is he still of the opinion that he would wish to be honest were honesty so expensive as virtue?

**The Honourable Sir Malcolm Hailey:** What about?

**Mr. R. A. Spence:** That was, you may probably remember, Sir, about the committee which sat about the 3½% loan.

In commercial practice it is the common habit of Companies to provide for a debenture loan by laying for a period of years an equal charge upon

revenue to provide for interest and sinking fund, but the Government of India has never been the pupil of Commerce, always its preceptor, as witness that compendious tome, the Indian Companies Act, which enjoins upon all and sundry that they shall, under divers pains and penalties, prefer their public accounts in a manner different to that in use by the Imperial Government. Were the method common in the uninstructed and popular world employed by the highly-trained and carefully-selected Government of India, the funds which the Honourable the Finance Member has already allocated for this purpose would be sufficient not only to redeem in their due course the loan to which they are specifically attached but would serve also to attach a sinking fund of one half per cent., to the 3½ per cent. rupee loans held in India enabling them to be extinguished by repayment in 60 years at par.

What would be the effect of the re-distribution of these funds already allocated? There would be no further drain on the already exhausted revenues, but the old premier security of India, still a favourite, despite its diminished charms, would increase again in favour until by a pure process of arithmetic it carried with it all Government securities on to a higher plane of price and rendered more easy, first, the considerable loan which the Honourable the Finance Member counts that he can raise this year in India and, finally, the eventual absorption into a funding loan of that to which I have already referred as the indigestion patch in our finance.

Ten years ago, a Finance Member who proposed to raise a loan of 25 crores in India in a single year would have been classed as a madman. To-day he is not. It is not so difficult, but at what a price, what a price for ourselves, what a price still more to our grand-children when prosperity has returned and eaten up the aftermath of war !

Let but the House have sufficient patience with me to consider these two points. Doubtless, there will be many critics of that which the Budget contains and indeed it is a hard task, it is a bitter task, to vote such heavy new taxation, but let the House devote some small degree of its attention not only to what the Budget contains but also to it what it omits and, with that facility which is given to trade by steady Exchange, with that ease which is given to finance by generally lower interest, the next year of our finance, which comes before us for consideration, may be one of greater ease to ourselves, of greater prosperity to this country, and of less deep anxiety to the Honourable the Finance Member to whom we all owe a debt of gratitude for the guidance that he has given us.

**Mr. T. V. Seshagiri Ayyar** (Madras : Nominated Non-Official) : Sir, the Budget which was introduced this year has been received with a chorus of disapproval and disappointment throughout the country. There have been four successive years of deficit, and the deficit has been mounting by crores of rupees. Therefore it is impossible for this Assembly to shoulder the responsibility, having regard to what is in store before us. Sir, the Honourable the Finance Member has told us that the position is not likely to improve soon, and, although Mr. Spence has been more optimistic than the Finance Member in believing that better years and greater prosperity are before us, I believe the House will agree with the Finance Member that there is no near prospect of our returning to normal conditions. Under these circumstances, Sir, this House will have to consider deeply whether it can commit the people of this country to the Budget which has been presented to us. If it is a passing year of deficit, we might with a clear conscience vote for some of the items which the Finance Member has asked us to vote for. But, Sir, with the prospect of such a Budget as this continuing for years to come we will have to see whether we should undertake the responsibility that the Finance Member has asked us to do. As has been pointed out by Mr. Manmohandas Ramji, I think this House will be justified in telling the Finance Member, we will have none of that responsibility. You have brought us to this position. You have for years together been heaping up the deficit and you should not ask us to share your responsibility, because the responsibility is too heavy; the responsibility is solely of your making.

Sir, I had intended to speak this afternoon about the position in which we find ourselves and to omit any reference to the details of the Budget, because many Honourable Members have spoken about the details and we shall have in the days to come something to say about them. But, Sir, the remarks which Mr. Spence has just now made compel me to say a few words upon one or two points which he has mentioned.

Now, Sir, he said that objection to the excise duty was because it had a very bad history, and because it was protested against ever since it was brought into existence. He proposes to give this vicious dog a good name and call it ' consumption ' and make it grow fatter. Now, Sir, if Mr. Spence's memory,

which seems to be failing very often, serves him right, he will find that the 4 per cent. duty which is intended to be added to the import duty is exactly countervailed by the 4 per cent. duty which has been added to the excise duty. It is 11 per cent. at present, and is raised to 15 per cent., and in order to placate Manchester, you are raising the 3½ per cent. excise duty to 7½ per cent. It is exactly what is known in mercantile parlance as countervailing excise duty. It is against this countervailing duty that we protest It may be said - probably some colleagues of mine will say—that we have examples of excise duty in Japan. But if you look at the history of Japan, you will find that there is no countervailing excise duty. There is excise duty of a kind, but undoubtedly there is no countervailing excise duty in Japan. Nor do you find in England anything like a countervailing excise duty.

Now, Sir, with that ease of conscience which has characterised the speech of Mr. Spence, he has suggested that there should be a duty upon yarn. If this duty upon yarn is put on, the Finance Member will find that he is throwing out of employment about 6 million people who are now dependent upon its free import. I am coming from a part of the country where this foreign yarn is being utilised by the hand-loom industry. My friends from Bombay have told you that you are killing the power-loom industry by the imposition of the excise duty. You would undoubtedly kill the hand-loom industry if you are going to impose a duty of 5 per cent. upon yarn. Let there be no mistake upon that matter. The hand-loom industry is the only industry which is really at present competing with the goods we have from Manchester, and, if you are going to put a 5 per cent. duty, you would throw out of employment a large number of people, and the Madras Government especially will have to provide relief camps for the people. Therefore, Sir, I want to enter my emphatic protest against the suggestion which has been made that there should be an import duty upon foreign yarn. Now, Sir, the Honourable the Finance Member has patted us on the back and said that we have behaved like good children, and that we should in this year also behave like good boys and pass the Budget which he has presented to us. I hope he will not end by saying that we have behaved like naughty boys. Sir, the world should understand what the position of this House is with regard to Finance. We have been handicapped in every direction, and we are asked now, after having been put in that position, to vote for a heavy deficit Budget. Our hands have been tied by increasing the pensions, by increasing the salaries and by increasing the cost of the machinery of administration, and, what is more, we have been told that we cannot lay any hand upon the heavy, all-consuming Military Budget; the fiat has gone forth that the Law Officers of the Crown have advised that that matter cannot be voted upon by this Assembly. If that is so, then it is the Government that should take the responsibility. If the Government are going to have Rs. 62 crores for the Military Budget, let them find ways and means. Let them not say that the House is responsible for the expenditure of this country. Now, Sir, as regards the Military Budget, I was reading the day before yesterday a Reuter's telegram to the effect that when the Geddes Committee sat, the Committee hoped that India would reduce the military force in this country by about 7,000 men. The Chancellor of the Exchequer tells us now that it has since been found that they cannot make the reduction. Why?. I hope that somebody would explain why it was thought at an early stage, when the Geddes Committee was sitting, that it would be possible to reduce the military by about 7,000 men and why the Government has advised now that they cannot reduce it by even a single battalion. I should like to know the answer upon this matter. Sir, it has been said that it is wrong to say that half of the income is being swallowed by the military budget. Some writer in a paper has told us that you must take into account the amount which is being collected in the provinces, and that, if you take the Budget of the provinces as well as of the Government of India, you will find that one-half is not the amount which is being spent upon the military. Sir, if you take that view, you must also take the expenditure which is being incurred upon the maintenance of the Police. A large amount of money is being spent in the provinces for maintaining the Police. If you take the amount which is being spent in maintaining the Police, and take the amount which is being spent upon the military, then take all the amounts which are budgeted for in the various provinces and by the Central Government, you will find that the expenditure upon these military and quasi-military forces is not less than one-third of the amount which is being received by way of revenue. Now, I ask the Finance Minister to say: 'Is there any country in the world which spends half of its income upon the military? Is there any country in the world which spends one-third of its income upon the military?' Now, Sir, it may be said that, to a certain extent, the situation in the country compels the Government to maintain this large military force.

May I be permitted to say that, although a great deal of responsibility rests upon the people who have contributed to the unrest which is prevailing in the country, the Government is not altogether without responsibility for what is going on now. Some of us, night and day, have been trying to induce the Government to take steps to bring about a reconciliation, to bring about peace and good will. All our efforts have been treated with contempt. We have been told that we are fools for the pains that we have taken. That certainly has accentuated the situation. That certainly has made the position of the country worse, and if you say now that you are going to retain the military strength and that you are not going to disband a single unit of these 7,000 soldiers which you had promised the Geddes Committee you would do, you cannot say that the people of this country alone are responsible for the state of things that you find to-day. Sir, we have been told that the hard fibre of the English and their determined attitude would see that the country is saved from anarchy and that peace and order would be maintained. If you are going to rely upon this kind of weapon, then certainly we in this Assembly have with regret to tell you that the responsibility should be solely yours and we shall have none of it. Sir, I want to say a few words upon the position in which this House finds itself. The Honourable the Finance Member has told us that it is on this House that the responsibility for accepting or rejecting the Budget would rest.

**The Honourable Sir Malcolm Hailey:** Did I? I do not remember saying that.

**Mr. T. V. Seshagiri Ayyar:** Certainly he told us that we have behaved like good children and that he hoped we would behave like good children this year also.

**The Honourable Sir Malcolm Hailey:** I am afraid I never used the words which the Honourable Member attributes to me.

**Mr. T. V. Seshagiri Ayyar:** In the speech on the Budget you did say something like it. Probably I have put a very bad paraphrase upon your language, but there is no doubt that those are your sentiments.

This is what you said :

> 'The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution.'

Certainly, that means that we have once before behaved very rightly towards you, and you expect us to behave again rightly. Now, the question that forces itself upon one's attention is this. Are we given a free hand? Are we in this country the masters of our financial position? I have already referred to one aspect of the question, namely, that we have not a free hand in regard to the shaping of the military policy. I told you also that our hands have been tied by the increase of pensions, increase of salaries and increase in the cost of administration. Again, so far as the Gold Standard is concerned, it has been fixed at two shillings for a rupee. Are we responsible for this? Have we any right to vote against this policy? Have we any right to say that the rates between gold and silver should not be a two-shilling standard? Then, again, what about the Gold Standard Reserve? Have you attempted to bring the Gold Standard Reserve here? Have you been able to do it, and have you been able to coin gold here? You have not given us any rights, and can you say that we have fiscal autonomy that will enable us to deal with our financial administration in the way in which we would have to deal with it?

Sir, take the position of the credit which this country now enjoys. In the days of the East India Company, they were able to borrow at the rate of 5 per cent. in 1842 and 1843. Later on, they were able to get money at 4 per cent. and, even after the Mutiny, the Crown was able to get money at 3½ per cent. In 1896, it was able to get money at 3 per cent. Since 1896, the credit has gone so low that in 1921, we were obliged to pay 7 per cent. In 1914 and 1915, we had to pay 5 per cent., in 1919, 6 per cent. and in 1921, 7 per cent. That shows, Sir, that the credit of this country has gone very low.

**Sir Montagu Webb:** What about the War?

**Mr. T. V. Seshagiri Ayyar:** Now, Sir, Sir Montagu Webb asks me whether the war is not responsible for this high rate of interest. Certainly India has never been engaged in war. India has all along been enjoying peace. India, no doubt, assisted England with men and money, but certainly there has been no war in this country and, if you have been able to borrow at a high and heavy rate of interest, that shows that you have no credit in the country; therefore it is impossible that you can ever ask this House to meet the responsibility either by borrowing or by relying upon credit.

Sir, there is one matter upon which I should like to say a word only because the time is pressing; and it is this. The Finance Minister can rightly say that none who has hitherto spoken has suggested any constructive programme. With his permission, I would say a few words upon that matter. The contributions from Native Princes were fixed at a time when the cost of the Administration was hardly a third of what it is now and when the cost of the military undoubtedly was not one-third of what it is at present. Now, Sir, I ask the Honourable the Finance Member, has he ever directed his attention to that? Has he ever considered whether it is possible to levy a further contribution from these people who enjoy peace and prosperity in consequence of the heavy expenditure which we have incurred? There is one other matter which I would mention. I have privately talked to the Finance Member upon that and I have also written to him upon that point. I have drawn his attention to the fact that the Permanent Settlement is a matter which is ruining the peasants and a change in which is capable of bringing in a good revenue to the country. It is true that it is a matter relating to the provinces. Unless you repeal the law (Madras Regulation XXV of 1802), the provinces cannot do anything in the matter. The provinces are, no doubt, directly interested in raising more revenue, but it is your Act which is standing in the way of the provinces reaping the benefit of such a policy as that, and, therefore, it is your duty to bring about the possibility of raising more revenue by a change in the Permanent Settlement. I do not think that I have exhausted all the avenues from which money can be got, but I must certainly say that the expenditure which you are now saddling the country with is beyond its capacity. There must be considerable reduction in the expenditure, both on the civil and the military sides. There must be an honest attempt to see that the expenditure is not allowed to grow more and more. If that is attempted, I am quite sure that you will be able to meet the situation. As has been pointed out by the Finance Minister, this is not a stray instance of taxation. This is likely to be a recurring one and a permanent one. I must say that this House will not be justified in passing the Budget, as presented to us, unless we have some guarantee that further attempts will be made to reduce expenditure and to ease the situation in the country.

**Prince A. M. M. Akram Hussain Bahadur** (Calcutta and Suburbs: Muhammadan Urban): I rise, Sir, to offer to the Honourable the Finance Member my sincere condolence on the financial situation of the country which was revealed to us last Wednesday, and I wish, if I may, to make a few general remarks of a common-place character. These may not contribute to the wisdom and sagacity of this Assembly in tackling the crucial problem, but will go to strengthen those common-sense principles, which, from the very fact of their being too common place, are apt to be overlooked. The heavy deficit of 34 crores in our Budget Estimates for the current year is more or less double of the anticipations of last year. That the figures of the Honourable the Finance Member should have shown so great a disparity between the forecasts and actuals is a matter of great regret. Be that as it may, the country is faced with a grave financial breakdown and in this connection a few observations perhaps will not be out of place. It is to my mind a principle of no small moment, as applicable to corporate bodies as to individuals, that the expenditure must never, or seldom if ever, be allowed to exceed the income. Nay, the adjustment between the revenue and expenditure must always be so arranged as to leave a surplus which should go to swell the reserve upon which we must depend in times of exceptional need. That, Sir, may be a very common and elementary principle, but none the less a very wholesome and potent principle, which the Government cannot remember too well. In contravention of that principle, what do we see? We see that the Government for the last 4 years running have been spending far in excess of what their normal revenues entitled them to. Instead of drifting along haphazardly, spending money thoughtlessly, it were better perhaps if Government presented to the Assembly a cut and dried programme of their expenditure not only in the current but also in the following year. If there is unfortunately reason to anticipate that the normal revenues of the country will be inadequate to meet the requirements—requirements which must obtain the sanction of the Assembly first—money may be raised to meet the situation by fresh taxation before the Government committed themselves to the incurrence of expenditure. It seems to me that there would be little difficulty to get the support of the Assembly to do that, provided that the House was convinced of the immediate utility of each item figuring on the programme of expenditure. To my mind, Sir, that would be a course by far more preferable to the one in practice now, *viz.*, that of spending money *ad lib.* and then by showing a deficit in the Budget to win the sympathies of the Assembly and obtain its consent to increased

taxation. This may be a more strategic move, but it certainly is not one commensurate with safety. On the other hand, it is fraught with the grave risk of a further enlargement of the gulf existing between revenue and expenditure which it is sought to bridge over. It is of imperative necessity that, by practising steady economy resulting in yearly surpluses, we build up a big national reserve and thereby relieve the poor man's sufferings by a diminution of taxation.

I trust I shall not be misunderstood by the Honourable Sir Malcolm Hailey. We share with him to the full the misfortune which is as much of this Assembly as it is his. We sincerely regret that his regime of office as the keeper of the Public Purse should by circumstances of an uncontrolable character, be so abundantly strewn with such wide and varied difficulties for the creation of which he, at any rare, was not responsible. I am inclined to think that a good deal of the dearness of money is due to world causes as pointed out by him, and is to a great extent the direct sequel of the great European War, from the effects of which it will be some time before we completely recover. There is something else which may have an appreciable bearing upon the finances of the country, and, in this connection, it will perhaps be not inopportune to take note of the forces of disruption which tend to increase the internal disturbances and the menace to security of life and property which manifest themselves fairly frequently. Thanks to the firm policy of Government which has at last been decided upon. I, for one, am not without hope that matters will sooner or later right themselves and follow the normal peaceful course. I have taken cognizance of a possibility of complications because it behoves us to be circumspect. To be forewarned is to be fore-armed, for it may so happen that, owing to these revolutionary tendencies in the country, the Budget of the Honourable the Finance Member may assume a different complexion indeed. I hope, however, that these fears may never be realized and may prove quite groundless. We should, however, do well to provide sufficient funds to Government not only for their present legitimate needs, but, also, if the Assembly is as cautious as I should myself like to be, to enable them to tide over their possible unforeseen difficulties in the near future. With this object in view, I shall heartily support the proposition of Government to raise additional money by increased taxation in so far as it may be equitable and just and only to the extent to which this already over-burdened country is able to stand it. And I hope this Assembly, imbued as it is with a spirit of co-operation and determined as it is to shoulder the responsibilities and burdens of the State, should accelerate the passage of measures which will bring in additional revenue, if possible even in excess of the present needs of administration. Let us not apply our pruning knife to cripple the resources of Government. That instrument should be reserved only for items of expenditure. The various demands for grants, so far as may be possible, should be met with a sense of responsible generosity.

Sir, no one can for a moment deny that a beneficent and efficient Government must require money to bring into fruition those objects of public utility which benefit countless thousands, and to maintain security and peace both from outside aggression and from internal disorders. It is, I think, the good fortune of this country that it is governed by a race that is not likely to show a clean pair of heels at the first signal of danger and one that has given through ages ample proof of its tenacity of purpose and dogged determination. To a deep thinker, it ought to be a matter of pride that it has the privilege of being under the protection of a confidence inspiring people ; for the ends justify the means. This country, therefore, as long as it does not succeed in a complete and effective self-organisation for its own defence, must ungrudgingly pay for the up-keep of that Army upon which it has depended for its safety so long. It is no use to bewail the large percentage of the country's revenue which the military expenditure consumes and must necessarily consume. The high ratio existing at present can only be lowered with the increasing freedom of the country from internal troubles and the greater preparedness of its people to rise against a common foe in times of war and a progressive co-operation with Government in times of peace.

Regarding those items of expenditure over which this Assembly exercises its right of vote, considerable progress can be made, if we set our faces resolutely against all costly schemes of doubtful necessity and in personal nature for some time to come, until the finances of the country are rehabilitated once again. There is, to my mind, Sir, considerable scope for discretion, for economy, perhaps also for retrenchment ; and, if we carefully go about the business with the requisite thoroughness and precision, I am positive we will be able to do much good. Circumstances may render it essential to tap the resources of the country, but they must be applied to the best advantage and for the most pressing need of the country. I hope, therefore, Sir, that, while expenditure

must face the severest scrutiny of this House, we should, in the matter of placing money at the disposal of Government, on which depends primarily the efficient administration of the country, clear our minds of all passions and prejudices and discuss and deliberate upon each and every demand on its intrinsic merits. We must not unwarily and unintentionally thwart Government in their necessary equipment of money. We should not oppose their desire to raise duties and taxes unless we have some alternative suggestion to replace specific proposals. The high and unprecedented deficit which we all deplore has to be met somehow. The manner in which we treat the country's need for money will be the true criterion of our high sense of responsibility and an assured test of our fitness and foresight in the eyes of the world, a test which we stood so nobly in the first year of our existence. With these words, I appeal to the House earnestly not to lose sight of the fact that they have to preserve as well as to augment their reputation for sagacity established last year. May Heaven guide them in the right path.

**Sir Vithaldas D. Thackersey** (Bombay Mill Owners' Association : Indian Commerce) : Mr. President, I could not help sympathising with the Honourable the Finance Member when he unfolded his tale of woe in presenting the Financial Statement on March 1st. I would call this Budget, for want of a better word, an Insolvency Budget, both in respect of the financial position and in respect of the method of taxation. Before I go to the figures presented before this House, I should like to associate myself with the remarks of the previous speakers in condemning the large and increased expenditure on the military side of the Budget. I also associate myself with my Honourable friend, Mr. Jamnadas Dwarkadas, in his condemnation of the excise duty and the duty on machinery. I will not, therefore, take up much time of the House in speaking about the excise duty as I had intended as a representative of the Mill Owners' Association on this Council. The Honourable the Finance Member told us the other day that sheer financial necessity compelled him to make proposals to levy the duties which he had suggested. But in doing so, I submit, Sir, that he has overlooked the sound principles of taxation in his great anxiety to find the money. He thinks (he has not said so, but from the language used in his Financial Statement it appears so) that the excise duty on cotton goods proposed by him is quite sound, because it is a consumption tax. May I refer him to the debates in the year 1894 when Sir James Westland and other Members of the Government, one after another, admitted that they did not approve the proposed Bill as based on a sound principle of taxation, but that they had to levy that tax because they were compelled by the Secretary of State to introduce that Bill. Further, we must give due credit to those Members, for when voting for the Bill, they one after another got up and said that they had to vote for it on account of the mandate; otherwise they were opposed to the Bill. Now, the times are changed when the Finance Member, in the second year of this young Parliament, as it has been called, comes forward and says that, because of sheer necessity the increase in the excise duty is based on a sound economic principle of taxation. At that time, Sir, protests were made inside the House and outside in the country. The great movement of *Swadeshism* had its birth from that day. When sheer protests did not count for anything, the people started the movement of *Swadeshi* on that occasion. The Congress every year passed Resolutions of protests, the Industrial Conference also passed Resolutions of protests and there was absolute unanimity in the country against the excise duty. My Honourable friend, Mr. Jamnadas, has already told you about the declaration of Lord Hardinge. I may further refer you to the speech of Sir William Meyer in introducing his Financial Statement of 1917-18. Now, Sir, no country in the world taxes its own industries, and particularly industries like cotton industry, which, owing to favourable circumstances in India, if properly encouraged and helped, would be able to supply 80 per cent. of the requirements of the country. (Hear, hear.) The industry at present supplies 40 per cent. of the country's demands. If my calculations are correct and if the machinery which has arrived now and the extensions contemplated by the mills are taken into consideration, by next year they will be able to supply perhaps 60 per cent. of our demands.

I am sure this House will never subscribe to any policy which will prevent the Indian cotton industry from supplying 80 per cent. of the Indian demand. The remaining 20 per cent., which is very fine count, and which is used by the rich, may be imported from abroad. The great objection to this duty is the way in which it is levied. It is not a tax on profit; it is a tax on production, and it weighs most heavily when a depression in trade occurs. On the one hand, owing to a depression in trade, you show a loss in your mills; in the same year, you pay a lakh or a lakh and a half for taxation. The weaker Companies, in such circumstances, go to the wall, and their liquidation

is hastened by a policy of this kind of taxation. The cycles of good trade and bad trade come to this industry as they come to any other industry. You will find—let us not go to very old times—taking the present century, that 1901-02 was a year of depression; 1907, 1908 and 1909 were years of depression, and 1913-1914 was a year of depression, when eight or ten mills went into liquidation and sold for a song. It is only during the last four or five years, owing to the difficulty of securing machinery, that the present prosperity has lasted, and the advantage of this prosperity is that our production during the next two or three years will increase by 20 or 25 per cent. Everyone in the country has a chance of taking up this industry and it will increase the prosperity of the country and supply the needs of the people. There is no monopoly in this industry.

Sir, the principal competitor in the Indian market is not Lancashire. It is Japan. With their bounty-fed freights, their cheap freights for importing raw materials both from India and America and sending out their production in their bounty-fed boats; with their home market fully protected, where they can sell their goods at a higher rate, in order to enable them to dump goods in India and elsewhere; all these reasons make Japan a great competitor of India. So far as Lancashire is concerned, in the history of our industry, the millowners have never asked that Government should protect their industry. All we say is that a home industry is not to be taxed simply because you are having an import duty for revenue purposes.

According to the proposal of the Honourable the Finance Member, the Indian cotton industry is to be placed in a worse position than at present. Government propose to increase the duty on imports by 4 per cent., but they have increased the duty on machinery by 7½ per cent. and on stores by 4 per cent.; and in that way they have increased the cost of production to a greater extent than 4 per cent. Now let us consider this duty from the point of view of the consumer. There is no doubt, and I quite admit the statement of the Honourable the Finance Member, that the duty is ultimately paid by the consumer. It is only in times of depression, when competition to sell goods is keen owing to the supply being greater than the demand, that the tax is borne by the industry and, during such times there is greater harm done to the industry; but in ordinary years it is paid by the consumer. Then let us calculate what the consumer shall have to pay by this duty. If you will look into the accounts of a Joint Stock Company, you will find that the total amount of duty paid, income-tax and super-tax, and the duty on stores and other articles, come to about 10 or 10½ per cent. on the cost of production. If you increase the duty by 4 per cent., it will come to over 15 per cent. on the cost of production. Now 15 per cent. more from the poor would mean about 3 annas per pound or 1 anna per yard, taking the average cloth. Now, what do you think one man requires? The poorest man who wants to clothe himself without any luxury, must have 10 yards at least per year, perhaps one pair of dhoties and 4 or 5 yards further to cover himself. I think 10 yards would hardly be enough for this purpose, but let us put it at 10 yards. In that way, by this duty you are taxing the poorest of the poor 10 annas per head, and, as the Government know clothing for a person is as necessary as food and salt.

**The Honourable Sir Malcolm Hailey:** I must really apologise for interrupting, but I am very desirous to get the Honourable Member's exact point. Would he mind letting me know whether he attributes that to the 4 per cent. or to the total taxation?

**Sir Vithaldas D. Thackersey:** The total taxation levied on the Indian mills will work out to 15 per cent. We have to remember, Sir, that, whether Lancashire pays nothing or pays 15 per cent., any burden that you put on the Indian cotton industry whose production is used by the poor, falls on the poor. Even if you imported Lancashire free, that would not help the poor, or, if you put 30 per cent., that would not help the poor. The poor use our cloth, and they have to pay what you charge on the home industry. So far as the coarse cloth is concerned, there is no outside competition. It is the internal competition of the mills which brings down rates, and the very fact that every fourth or fifth year you get a depression in the trade is sufficient indication that there is free and open competition.

Now, Sir, how much does the cotton industry pay to Government? Take last year. It has paid in the form of income-tax and super-tax about 3 to 3½ crores, and there is the excise duty of 2½ crores—a total of 5½ crores. If the needs of the country are greater, if industries must be taxed, then the cotton industry has not the slightest objection to bearing a further share of the responsibility of governing the country well. But let that tax be on all industries equally, and not on the cotton industry alone, because the facility

of collecting it in the cotton industry, as I am told, is greater. To say that facility of collection rule should govern the decision in this matter is not a right argument.

Now, Sir, I said at the beginning of my remarks that I consider this Budget to be an Insolvency Budget. The House will permit me to explain why I think so.

For the reasons that I shall enumerate later on, the position of Government is very serious indeed; and I wish to make myself very clear on this point; because any action we may take, or the Government may take, will bear greatly on our credit. We find that, in the next year, Government have provided for raising Rs. 25 crores in Indian loan, £17½ millions in England, *i.e.*, about Rs. 25 crores, and Treasury Bills to the extent of Rs. 131 crores; and the rest of their requirements, *viz.*, 39 crores, they wish to transfer to the Paper Currency Reserve; that means that, during the next year, the Government is going to have or must have Rs. 212½ crores in order to conduct the affairs of the country. If there is any difficulty in securing the loan or if their credit is jeopardised, then I think not only will Government suffer, but the whole country will suffer and there will be great confusion in the country. We must admit that, and we must have a clear notion about this critical position of the Government. Now, anybody who has anything to do with these loans and commercial matters will agree with me that before the war, in 1912, 1913, and 1914, when Government wanted to raise Rs. 4 or Rs. 5 crores by loan, there was a tour of the Finance Member, going to Calcutta, consulting the merchants and the bankers and then going to Bombay and finding out how the loan of Rs. 4 or 5 crores could be raised. Five years earlier still, it was only a question of Rs. 2 or 3 crores. Now Government has taken the responsibility of conducting the country on the assumption that they would be able to borrow Rs. 212½ crores in the next year. I am afraid Government may not be able to get Rs. 131 crores in Treasury Bills if trade revives. Even at present, Government are borrowing through their Treasury Bills at a higher rate than the Presidency Banks are willing to pay for a poor three months' deposit. It is not the want of credit of Government; it is the enormous amount of money, the floating debt, that causes this high rate of interest. It also affects the merchants because the higher the rate Government pays, the merchants have to pay a still higher rate; the amount of money circulating in the country is the same. The merchants and Government are competing against each other and try to secure the same money, and the rate of interest in the whole country goes up; a most unsatisfactory feature, so far as this part of the financial condition of Government is concerned.

Now, Sir, let us consider what the causes of this condition are. In the first place, the condition has been brought about by the way, by the careless way in which the expenditure has enormously increased.

If our military expenditure had been during the last two or three years what Lord Meston suggested or thought proper, we would have saved perhaps 60 to 65 crores of rupees in that one item alone. Then the salaries of all civil officers were increased. When I was in London in 1919, I was authoritatively told that it was suggested from India that the salaries of all the civil officers should be increased and that India would be able to bear the burden, owing to the exchange rising to 2 shillings and on the assumption that the exchange would never come down and the profits would cover more than the increase. To-day it is 1*s.* 3½*d.* With regard to this, I may say in passing that my Honourable friend, Mr. Spence, in his speech to-day wants Government to stabilise the exchange; but, when I brought forward a Resolution to appoint a Committee to inquire into the manner in which the exchange can be stabilised I did not then get the support of my friend. I hope, when the matter comes up again in September, I will get his support.

Now, Sir, the causes of our present troubles date back to the year 1917-1918. In the early stages, owing to war exigencies we helped England and sent our exports. But there was not sufficient reason why, after the war was over in 1918-1919, we sent our exports without receiving payment for them in cash. When I was in London in 1919, the figures I saw there—if my memory serves me correctly, if I am wrong the Honourable Member will correct me,—our balances in London were between 150 and 170 million pounds. What we did was, we exported our goods and other requirements of the war and we received payment in gold in London, invested it there and reduced our resources in India. It brought about the currency crisis. I will not lengthen that argument, because I have already alluded to it when I moved my Resolution regarding currency and exchange. Apart from our loss of credit when the currency crisis came in, all our money was

returned by the Reverse Councils at Rs. 8 to Rs. 10 per £. We received payments for our goods in sterling at Rs. 15 and when remittances were made to India, they worked out to Rs. 8 to Rs. 10 per £. I do not know how much India lost by this process, whether it lost 50 crores or 70 crores, but a Government Department alone can calculate exactly the loss sustained.

Then came, Sir, that mad policy of raising our exchange from 1*s.* 4*d.* to 2*s.* in spite of strong protest, and following it up by the still madder policy of selling Reverse Councils and forcing Reverse Councils,—for what object, we, at least, in India did not understand,—with the result that the loss that we incurred in this transaction was enormous. But may I ask why the Government of India did not follow or insist upon following the same method which America followed when it sent its goods to England? England bought a large quantity of munitions from America. What America said was : 'Give us the value of the goods.' When England could not remit cash, she commandeered American securities in England and handed over to America those securities, and for the balance of its dues borrowed money in America. If we had followed the same policy, England may have commandeered our gold securities in England; or, at least, if we had insisted upon the British Government giving us receipts in rupees, these crores and crores of rupees would have been saved and the condition of our finances would not have been brought to this unenviable position.

**Mr. President:** I would ask the Honourable Member to bring his remarks to a close.

**Sir Vithaldas D. Thackersey:** Yes, Sir, I will finish now. I will not go into this matter any further, but I will place before the House the conclusions I have arrived at after studying the Budget. In the first place, Government should reduce their Budget loss by at least 11 crores of rupees. Under the Paper Currency Act, Government have credited 6 crores of rupees, being the interest received on the investments of the Paper Currency Reserve and the excess in the Gold Standard Reserve over and above the figure of £40 millions, to the Paper Currency account. The said Act was passed, when we valued our securities at 2*s.*, but now the exchange is 1*s.* 3*d.* and I do not think anybody believes that it will ever go to 2*s.* I think therefore that our Gold and the Gold securities in the Paper Currency Reserve should be revalued on the basis of 1 *s.* 4*d.* and the said 6 crores of rupees be credited to revenue.

The second item I object to is that we are debiting to revenue 5 crores and 6 lakhs of rupees which we pay as annuities for the purchase of Railways. I can understand debiting to revenue interest charges, but I cannot understand how you can debit to revenue our capital charge, that is, the amount we pay in instalments to the old shareholders for the purchase of Railways. It is really not a revenue charge. It is a capital charge. In that way, about 8 to 10 crores may be saved. My further conclusion is that Government must make up their minds before the Finance Bill is placed before us on the 20th instant whether they are prepared to reduce the military expenditure or not. It is on that declaration that the decision of this House will depend. If Government are prepared to take us into their confidence and make an honest attempt to reduce the expenditure in the Military Budget (I can understand that we cannot reduce the expenditure by 20 crores in one year; it will have to go on slowly but surely), if we can get such an assurance, namely, an honest attempt to make a reduction in the military expenditure, then this House will have to consider to what extent we should meet the deficit by taxation, and thus place the financial position of the Government of India on sound lines. But, if Government are determined that it is only by extra taxation that people should be governed and not by retrenchment, then I think the House will have to consider whether it should take the further responsibility of taxing the country to the extent of Rs. 30 crores this year without any guarantee that the military expenditure would be reduced.

**Lieut.-Col. H. A. J. Gidney** (Nominated: Anglo-Indian): Sir, I am prepared to run the gauntlet of the derision of this House, as did one of the former speakers, by expressing my sympathy with the Honourable the Finance Member in the position in which he finds himself to-day in presenting the Budget to us. At the same time, I must offer him my sincere congratulations for the fearless, honest and frank way in which he has presented a most unpalatable Budget to a House which seemed prepared to be dissatisfied with it. I think, some Members are inclined to take the view that the heavy deficit this year is the result of the sins of omission and commission on the part of Government for a few years only. I do not agree with this. I look upon it as the cumulative effect of many years of financial profligacy on the part of Government. It seems to me that in the good old days of 'good' and 'plenty,' when we had such paying

departments as the Railways and Opium, which were the plums of Government, their surpluses were readily seized and lavishly used to make good the expenditure incurred on various other less profitable Departments of Government. Those days have gone, and the Government now find themselves confronted with a financial situation of their own creation of an enormously swollen expenditure and very little income. Government surely must have anticipated this deficit that has gradually and yearly increased in size. When I discussed the Budget last year, Sir, I likened this House and the Government to a married couple, the House as the husband, and the Government as the wife. One knows that the income of a husband depends on the output of his wife. If that wife were a spendthrift before marriage, the husband would surely not give her his cheque book to use *carte blanche* and to spend what she liked. The husband would and does expect his wife to consult him in her expenditure. Now what the Government (the wife), is doing to-day is to ask the husband (this Assembly) to give her 140 crores or so of income, but in the spending of this sum she is only willing to consult us to the extent of about 60 crores. Well, Sir, that sort of married life cannot really continue happy for very long.

In fact I saw early evidence of matrimonial trouble during its first year, when last year's Budget was presented to us. However, trust was re-established but as the months rolled on and this House had more opportunities of knowing how Government was spending her income, it seriously considered the advisability of a judicial separation. The Government also saw this development and, to appease our cry for participation in the voting on the Military Budget, His Excellency the Viceroy has, to-day, told us that he is pleased to allow us to *only discuss* the Military part of the Budget ; but, I am afraid, this has not improved our married life very much and now comes this awful Budget with its still more awful deficit and, I am fearful, judging from the wails we have just listened to, that the husband (this Assembly) is contemplating suing for an early divorce unless its demands are satisfied. I would regret this and would plead to the House and ask them to be patient for a little longer and not to end this married life so soon, for, what the Right Honourable Edwin Montagu has joined together let no Budget put assunder.

On the facts put before us last year, this House took up on itself the serious responsibility of imposing a very heavy burden of taxation, in one form or another, on the country. We did this in the belief that we were meeting a definite position. We know now that the Finance Member's anticipations have gone sadly astray. I would be the last to blame the Minister himself or that hard-working Department which he leads, but I do feel that there are some *dangerous links* in the system. My fear is that the Honourable the Finance Member may be as far wrong again next year in his forecast as he has been in this. I must confess that I do not understand how the probable revenue of the country is calculated. I do know, however, that the calculations seem to accord very badly with the facts when they materialize, and I would like to feel that the very best advice obtainable had been sought. One is sometimes inclined to suspect that, in this ancient city of Delhi and in that far away town of Simla, mechanical logic replaces the warmer and more human company of facts and experience. I wish that I myself were a business-man, in touch with the throb of the market, so that I should have something of my own against which to test the revenue anticipations of the Finance Member.

In my own mind, I have some serious misgivings. There comes to my mind the fable of the goose and the golden egg. The Finance Member, I know, would be the last to deliberately destroy such a promising specimen, but inadvertently, he might be led to damage its outturn. These heavy import duties, magnified as they are, when it comes to retail prices, cannot but reduce consumption. There has been little, if any, considerable fall in the price of imported goods, and people—those particularly whom I represent—are these days already reduced to living at a minimum. A further increase of prices must mean for many of them an economy in actual necessities. I am grateful that the Finance Member has not touched the income-tax, as it affects the majority of these people, but I should regret bringing them to the straits to which I greatly fear the proposed taxation will bring them, unless I were assured that the general revenues of the country are likely thereby to materially benefit. Higher prices, due to heavy taxation, with a decrease in consumption—amongst of course the poorer people—and with the revenue left just where it is, is not a proposition which appeals to me. My point is that the Finance Member was wrong this year. He may be wrong next year and I do hope that those in this House who are in a position to form an opinion will tell the House whether they think that the Finance Member's figures are likely to be realised.

One point I do make and, if my information is correct, it should appeal to the Honourable Sir Malcolm Hailey. I would ask the Government to make a concession on return fares on Railways. I have heard instances of many an Indian left with nothing for his return journey after a visit to the bazar, and I believe that a concessional return fare would have been sufficient to induce him to lock up this amount of money before his temptations overcome him. I should indeed expect this concession to result in a net profit to Government. I allude to third class passengers.

Still I must face the fact of substantial deficit next year and, '*faute de mieux*,' I must accept the Honourable Finance Member's estimate of its amount. I have given much thought to the various alternatives suggested for meeting it. I had thought that, perhaps at the expense of men's lives and while possibly endangering the existence of the Empire, India's finances, during the past few hard years, had been carried on on too theoretical lines. The war was fought as much for the future as for the present generations and I have had notions at times that our ancestors should help to pay for it. I had running in my mind that a national debt these days is no longer a luxury but a necessity. I was told, however, that living on credit and indulging in Budgets with unbridged gaps in them meant swollen prices. I felt inclined to answer that the Honourable the Finance Member's proposals to bridge the gap resulted in much the same state of things, but by a shorter and less pleasant course.

I have come, however, to the conclusion that one cannot indulge in a big loan policy while our income is not within streets of our expenditure. I am not at all impressed by the ordinary banking argument that Government loans take money from the market and thus handicap industry and raise prices. When Government recovering expenditure is reduced to its lowest point and ordinary revenue is not far below it, I would have the courage to launch out into a terrific loan policy and put our Railways into a position of being the profit-making department which it should be.

The expenditure question requires very much more detailed study than these few days allow us, and, besides, we in this House have already expressed our views on that subject and expect results later on from the Government. I see before me an enormous expenditure of 142 crores. I see an income of 32 crores below that. We must, as the Finance Member said, although in other words, either mend our manner of life, or organise our wage earning capacity, or resort to the 'Matrajan'. After deep consideration, while keeping my eye firmly on the first alternative, I turn away from the last and choose, at present, the second course. I shall generally support the taxation proposals of Government. I do so with misgivings but, assuming their figures are right, I agree with their method of dealing with the deficit. As I have said it is after much consideration I favour taxation rather than meeting the deficit by a loan. Even though I believe in the not too distant rehabilitation of Indian trade and even though taxation will hit me, I go for it because it is sound finance. I believe the Cotton duties, although severely criticised by Members from Bombay, are not unfair in the present circumstances. I think the Salt tax appropriately raised. I am doubtful of the yields expected from the taxes but they have touched the right men. I fully expected an outcry in this House, but I submit that those who believe in sound and practical finance and who have the final good of their country at heart *must* support the Government proposals as outlined by the Honourable the Finance Member.

There are, however, two aspects of this Budget which, above all else, I would like to refer to.

(*a*) *The Military Expenditure.*—I admit the reduction of the Army in India has reached its *absolute* safety limit. We cannot in the present restless condition of India dare to reduce our Army, even by a *single* man or a single gun. This, of course, means a heavy expenditure and India must bear the burden. I admit that in regard to a necessary Army, the judicious expenditure of money, however big the sum be, is, in the long run, true economy, and that it is a dangerous practice to introduce in it a battle of 'efficiency *versus* economy'. Yet I have some misgivings on certain Departments. I refer especially to the Supply and Transport Department. This, I submit, should be controlled and directed by expert business men and not by Army men who, after long years of service, have gained what amateur knowledge they possess, at the expense of the tax-payer and the Indian exchequer. There is no doubt that this Department, as also the Military Works Department, bristles with, and offers many opportunities for, large retrenchments, especially in the purchase of local food stuffs, *e.g.*, Ghee, etc. If the expert Committee of Accountants who are touring India noir and have just inquired into the Postal Department were to concentrate thew

energies on the Military Works and Supply and Transport Departments, I feel sure that undreamt of economy would be effected and without any decrease in efficiency. I would like to draw the attention of the Army authorities and of the Government of India to another point in this connection; and that is as to whether the 'Services supplies,' rendered by and obtained from England ('effective and Military works') the cost of which is put at 7·75 crores and $\frac{1}{5}$ crore, respectively, cannot be made the concern of India? I submit that, if this country can be made to manufacture many of the military requirements now imported, it would not only save loss by exchange, but find occupation for a very large population. Encourage local enterprise and industries, render the country self-supporting and self-contained which, above all, would let the people feel that the tax-payer's money, spent on Government account, especially in purchasing stores and food-stuffs for the army, is retained in their own country. If not at first, certainly in course of reasonable time, it would result in cheaper out-put and save steamer freights and time. During the great war, new and sudden demands were made on this country and in directions foreign to its experience. I believe that Government will testify unstintingly to the loyal and whole-hearted manner in which the country rose to the occasion. If it did not fail in hasty improvisations in an emergency, may it not be trusted to improve and progress under fostering care and calmer considerations? Let the people realise that a self-contained India is the goal towards which Government is moving; that the bonds of red-tape can be relaxed—that India is not held in leash so that activities may not clash with the vested interests of the English manufactures. I make these remarks mainly with reference to stores. Encourage this. Give practical and live evidence of this and I say that not all the *Mahatmas* will cause the slightest deviation from peace and loyalty.

I moreover have to make a few remarks on the Military Transport Department. I submit, Sir, that there is no need whatever for the retention of this Department. I also submit that greater care and foresight should be displayed in the Railway expenses connected with military camps, *e.g.*, Artillery Camps when Batteries, railed from distant places, are camped in one station for practice. These movements are often effected with little regard to economy.

I now take the Army Medical Services: I submit, this sum can be materially reduced if the authorities would get it out of their heads that they *must* maintain an expensive European Nursing Service for the British troops in India. The fetish that white troops *must* have white nurses is an antiquated idea. I submit that this expenditure is unjustified, especially when we are faced with this appalling deficit and when an equally efficient and cheaper Nursing Service can be easily obtained in India. Then there is the Administrative Medical Staff. Then I come to the Administrative Staff of the Army Medical Department. I see no reason why there should be two Directors or Heads of the Medical Services in India with their large staff, *viz.*, the Director of Medical Services in India and the Director General, Indian Medical Service, when their duties overlap so extensively. This is a luxury, not a necessity. I submit that their duties so frequently overlap that one man with an adequate staff could carry out and efficiently carry out the medical needs of the country and of the Army. This duplication of labour is imposing an unfair and absolutely unnecessary burden on the Indian Exchequer. The Director General, Indian Medical Service, with an adequate staff, is quite enough to discharge the medical needs of the Army in India.

Economy can also be effected by a reduction in the personnel of the Army Headquarter administrative and clerical staffs and the Military Accounts Department where work is duplicated, triplicated and quadruplicated. There is no doubt that one looks with awe at present-day military expenditure and I feel sure, it will be bitterly attacked in this House, but we must remember that, although it is very expensive to maintain, yet it is as equally necessary, both in checking internal lawlessness and in the external defences of India which, themselves, have of late, swelled this very expenditure. A cheap, ill-equipped army is money wasted.

The Military Budget before us, excluding 'non-effective charges' and 'Marine' according to Statement B. appended to the Finance Member's introductory speech of the 1st instant, commits Government roughly to 58·49 crores gross, *viz.*, Rs. 53·81 for effective charges and Rs. 4·68 for military works. The net expenditure is Rs. 49·39, after deducting military receipts estimated at Rs. 4·27 and one-seventh crores respectively.

It is not clear how much of this represents

(*a*) *Normal* Military expenditure in India and Burma.

(*b*) The cost:

(1) of the normal garrisoning of our recalcitrant Frontiers (as opposed to Frontier cantonments like Peshawar, etc.), and

(2) entailed in directions other than (*b*) (1), *i.e.*, Expeditions, Punitive measures, etc.

In this connection, I would ask this House to remember the discussion which took place at the last Simla Session of the North-West Frontier Policy Resolution which was moved by Sir Sivaswamy Aiyer. In this, amongst other matters, he drew attention to the heavy annual drain the North-West Frontier made on the Imperial Treasury. In opposing that Resolution I pointed out that the North-West Frontier Province, in its integrity as an independent administration, assumes its greatest importance in Indian eyes when viewed in regard to its connection with the problems of Indian defence and Military expenditure and, viewed in this light, it overshadows every other consideration and must, perforce, rule out every other factor. On the same occasion, I remarked that the matter had an 'All-India' bearing, and that the Frontiers constitute the only spot geographical conformation has rendered vulnerable to attack or invasions from the North. With your permission, Sir, I shall quote from my speech on that Resolution. I said:

'The North-West Frontier, from the Pamirs to the Sea, is the most important land Frontier of the British Commonwealth and, for this reason, its defence and maintenance was not a matter solely of Indian importance. India, I submit, holds that Frontier not only for her own protection but to guarantee the integrities of Imperial soil.'

I said that the day was not far distant when it may be widely recognised that India alone should not be called upon to bear the whole cost of defending this Frontier. That day, I believe, has come, especially when we realise how great is the cost of maintaining and guarding this Frontier. I again submit to-day, but with greater reason, that Indian finances cannot possibly bear this burden unaided and that the solution of the problem the saving to the Indian Treasury of this tremendous additional drain will be facilitated if it were possible to create and maintain from the Pamirs to the Persian Gulf a cordon of territory under Imperial control and maintenance. This will not only enable us, with a measurable degree of safety, to reduce the strength of the British Army in India but would also lessen our enormous and staggering military expenditure. India, no one will deny, is an asset of our Imperial Empire and if the cost of safeguarding it against attacks by sea is almost entirely borne by the English Exchequer, the mere fact of land forces, replacing naval intervention, not for purposes of internal safety but to ward off ingressions, *i.e.*, to retain this asset of the British Empire should not justify dissimilar treatment and, if the pushing of our frontiers further into the 'No man's land,' and even its maintenance has been in pursuance of a policy initiated by the Home Government or is accepted by the Home Government, in either case solely for maintaining the integrity of this Imperial asset—it rather strengthens the claims of India to be freed from the whole or an appreciable part of this burden. In it I see the greatest means of retrenchment in the Military Budget and I offer it for the very serious consideration of His Excellency the Commander-in-Chief, the Government of India as also the Home Government.

My last point is with reference to a most important matter, I should say one of the most important matters, which has helped to not only swell our last year's and this year's Military Budgets but has all but paralysed our Railways and crippled our commerce. I refer to the non-co-operation movement and the political strikes that are of daily occurrence in India. The Finance Member has unfortunately very lightly referred to this aspect of Indian finances in his speech. I wish he had placed greater importance and stress on this. There is no use our being blind to the fact that to Mr. Gandhi and his Lieutenants India owes, to a greater extent than anything else, her present crippled and dislocated commercial position.

I can almost hear some Honourable Members reply. No—this is largely due to the non-fulfilment of the promised two shilling exchange. Let me even admit this as true, but surely this only touches the very fringe of the matter. Need I remind the House what drains the Imperial Treasury has had to bear on the Moplah revolt, to mention but one of our national tragedies? Then, look at what the present political strikes on the East Indian and other Railways are to-day costing India, with its coal-bearing fields closed to her rapidly developing enterprises and here I take this public opportunity of mentioning with great pride, with pardonable but justifiable pride the splendid manner in which my community has, to a man and child, come to the rescue of the Railways and India. I say, it is time that this political agitation was stopped,



134359

for so long as it is tolerated by Government, so long will the commercial enterprises and Departments in the Government be worked at a dead loss, as we see in the Budget before us. Mr. Gandhi may talk till he is blue in the face of his soul force. If he utilised his great talents in giving money force and man force, he would be doing as much good for India as his soul force and non-co-operation to-day are ruining her. I submit with emphasis that the ruinous effect on our finances by the non-co-operation movement and political agitation is of very serious and grave concern to the tax-payer—to the millions whose interests we voice in this Honourable House. I ask the Honourable the Finance Member, how much of the deplorable deficits in the Budgets during the past four years, aggregating 90 crores, are ascribable *directly* or *indirectly* to these political activities. If we are to put our own house in order by retrenchment or extra taxation, to rehabilitate our resources, it is imperative that the contributory causes of our moribund condition should be analysed. It may reasonably be assumed that misrepresentation has had a start and that every pie of new or additional taxation is put forward as one more living proof of the despotic hell of Government. It is, therefore, in fairness to Government, in fairness to the misguided and in fairness to truth that the Finance Member should lay these convincing statistics on the table and promulgate them broadcast.

**Rai Bahadur Bishambhar Nath** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I sympathise with the Honourable Sir Malcolm Hailey in the difficult situation in which he finds himself on account of the heavy deficits which again rudely stare us in the face. In fact, I admire the candidness with which the Honourable the Finance Member has, in his speech introducing the Budget for the year 1922-23, disclosed the position of the Government verging on bankruptcy, and I appreciate his desperate struggles in maintaining it solvent. Last year, when we were called upon to meet the deficit of 19 crores, we thought we had seen the end of gloomy scenes. Having done our part, we imagined the Government do its own, curtail its expenditure substantially and adapt its financial policy to the real needs of the country. We had fondly hoped that better conditions would await us in the future. But, Sir, I confess we were sadly mistaken in our surmise. As the Honourable the Finance Member has so vividly shown, the deficits are not due to transient causes, and there is therefore very little prospect of an equilibrium between revenue and expenditure being attained within a measurable period. No doubt, falling exchange, continued depression in world trade, and other causes pointed out by the Honourable the Finance Member, are some of the important factors in bringing about the present financial crisis, but have not these causes been in operation all over the world? How is it then that of all places, our country should get affected most adversely and feel the pinch most acutely? The fact is that there are other contributory causes, both immediate and remote, which are equally responsible for our adversity. I admit, the Honourable the Finance Member can by himself no more control the latter than he can regulate the former, but I am afraid the Government, of which Sir Malcolm Hailey is a distinguished Member, cannot be wholly exonerated for bringing about the financial disaster. Dabbling with exchange, as they did last year, and refusal to cut down the army according to the needs of the country, are some of the instances which illustrate my point. Sir, the real root of the trouble is the autocratic system which characterises the Government, and its persistent, nay callous, disregard of public criticism. Indian publicists have cried themselves hoarse, and for years together, for the reduction of the enormous military expenditure, but they have cried in vain. Far from reducing it, the Government has steadily increased it, so much so that, from 16·96 crores in 1884-85, it has now gone up to more than 62 crores. Why, in spite of the strong criticism of almost all the non-official Members of the Assembly last year, the figure for the next year continues the same. Not satisfied with the absorption of more than half the revenue of the State, the Military Department cries for more. No wonder if it leads one to exclaim that India exists for the Army, and not the Army for India. If the Government had followed the advice of our public men, the national militia would have come into existence long ago, and the Military expenditure had not been allowed to grow to these enormous dimensions. Our promising youths had got the necessary training in the Military Colleges established in the country, but the Government would move very slowly in the matter if it would move at all, and would not convince the people by its action that it has changed its policy of distrust for that of confidence.

What is true of military service is equally true of others. The process of Indianization of the higher services in the Civil, Railway, and other Departments is extremely tardy. Salaries are not being fixed according to the standard suited to the means of the country, and thus serious attempts are

not being made to make the administration of the various Departments less expensive. The Government would not let us touch the items in the Budget which absorb the larger portion of the revenues. Of course, it would spend the money in any way it likes, but would subject us to the odium of finding money for it. When we want responsibility and power, it is said our constituencies are narrow, and the number of our voters very limited. When our approval for the money Bills is solicited, the whole world is supposed to watch how the 'youngest of the Parliaments' realises its responsibilities. How long will this system continue, and where will it ultimately lead us, passes my comprehension. The conditions are so hopeless that within the last 4 years, as the Honourable Finance Member admits, we are involved in a deficit of 90 crores. Not much useful purpose, therefore, can be served by the suggestions relating to the minor items of the Budget, nor can the evil be remedied in my opinion even by the pruning knife of the Honourable the Finance Member alone. The situation demands thorough overhauling of the whole system, and the sooner it is done, the better for the country and the Government.

A word about the additional taxation, and I have done. I am not sure whether the new encumbrance will not form the proverbial 'last straw on the camel's back'. The people are already groaning under the taxes with which they were saddled only last year. Now it is proposed to pile on them fresh burden, regardless of their capacity to bear it. On account of the dearness of commodities, life to the poorer classes has already become very hard. Fresh taxation on the necessaries may make life simply unbearable for them. If the Government is bent on taxing, for God's sake let it leave aside salt, excise, machinery, petroleum, matches and postcards. Some will retard the growth of indigenous industries, and others will hit the poor very badly.

I would not like to take the time of the Honourable Members any further. I have only to remark that the present situation appears to me quite alarming. On one side, I find the Government bankrupt, self-complacent, labouring under false conceptions of prestige, impervious to public criticism, and unyielding to popular will, even in matters affecting the vital interests of the nation. On the other, I see the people suffering and discontented, steeped in poverty and ignorance, but newly awakened to their state of helplessness and misery. They are fast recovering their self-consciousness. Further proposals of heavy taxation, if adopted, combined with the repressive policy of the Government already in force, may, I am afraid, drive the people to desperation. At least the symptoms do not augur well. Will the Government take the warning? It is not yet too late for it to mend its ways. I hope it will realise the real state of affairs, and meet the crisis in a sympathetic, broad and statesmanlike manner.

**Bhai Man Singh** (East Punjab: Sikh): Sir, it is a matter for regret that I have to say to-day that the financial policy of the Government of India has been a failure. It has been a history of increased expenditure, deficits, increase of taxes and loans. They say, the last straw breaks the camel's back, and this year we have reached the limit which the country can not bear. Most of us have laid the blame on Sir Malcolm Hailey, but, Sir, with due deference to the previous speakers, I sympathise with him rather than blame him. It is not so much the fault of our Honourable Finance Member as the fault of the policy which we have been following up till now in managing Indian finances. Our whole administration is so very expensive that it cannot compare with any other country in the world. If we compare, for instance, the pay drawn by our highest official in India, we find that it tops the list. A Member of the Governor General's Council here draws Rs. 80,000 while the salary drawn by the Governor of the State which pays the highest salary in the United States is about 10,000 dollars a year. If we take the dollar to be equal to 4 shillings or say Rs. 2, it comes to about Rs. 20,000 a year; while even the Governor General of Canada draws only 50 thousand dollars, equivalent to 1 lakh of rupees. The Secretaries in the United States of America draw much less than that and receive only 12,000 dollars equal to Rs. 24,000 a year. Similarly, Sir, in England, the British Prime Minister himself draws £5,000 a year, which would be equivalent to Rs. 50,000 a year according to the rate of exchange which is adopted in the Budget before us. Similarly, we see that the Civil Services in India are most highly-paid as compared with any other country, while the revenues of all these countries are much higher than those of India. Nobody on earth can say that India is so very rich a country as compared with these countries and that Indian administrators should be paid so high. It is always argued, Sir, that without giving high salaries, without spending more money, we cannot have efficiency. But, Sir, there is always a limit to efficiency as to everything else. In my school-days

I used to hear a well-known proverb 'Cut your coat according to your cloth.' Poor India with her backward industries cannot pay so much money; why should we require such highly-paid men? For God's sake, we would be satisfied with less-paid people, but we cannot bear all these burdens. Again, Sir, it is this very policy which has been the ruin of our finances up till to-day; and we have never stopped for a minute to look back and see whither we are drifting, we have never thought, not only of decreasing our expenditure, but we have never seriously thought of extending our industrial resources. We do not increase the wealth of the country but we go on increasing the expenditure. How on earth can we expect to have safe finance? Every wise financier, every wise business man would always think that his debts should have some limit and that his expenditure should be commensurate with his power of raising money; but this is not the case with us. It is not those who may be sitting on the tops of Olympus or those who are born with a silver spoon in their mouths, but those who are working and have worked their way in the world, those who really know the state of affairs, who know the daily life of an Indian, it is they who know fully well that it is a real problem for a vast majority of Indians 'how to make both ends meet'. Now, Sir, if you are going to burden this poverty-stricken people with such heavy taxation every year, how can you expect them to live? It would mean nothing but sheer misery to them. I can very well understand the strong voice raised in this House against this expenditure. Sir, there is another difficulty of ours. One could say: 'All right; the expenditure is there; but we should make a start for decreasing it; there should be a turning point wherefrom you can say, well, it does not matter about the past, it does not matter about the present even, but let us see to the future.' But, Sir, have we made a real start? Have we really thought of doing some substantial reform in our financial policy? Take the military expenditure. I do know and, of course, nobody can deny that every country requires an efficient army for its defence. But can any military expert say that, under the present circumstances, any country can depend altogether on its standing army? The only way of decreasing our military expenditure would be by creating a strong local militia. If during the great war we could get so many recruits who knew absolutely nothing of military operations but after getting three months' training or so, were sent to the battle-fields and proved to be efficient soldiers, why, Sir, can we not depend on a local militia? Why should not the Government make an immediate and appreciable beginning towards the creation of a local militia and decrease the standing army? If the Punjab alone could supply about one-half of the recruits during the last war, why should we not expect that a similar response would be made to our demand for a local militia if we mean to train and prepare our young men for the military services. That is the real thing, and, if this suggestion of mine is acted upon, then we can make a decrease in the standing army, but I do not find any real or active step being taken in this direction.

On a previous occasion, Sir, the Honourable Sir Malcolm Hailey said that India is not altogether self-dependent for her defence, and that she has to depend for her defence on the army and navy of England. I submit that, make us self-dependent; for that I think every Member of this House, nay every Indian would be perfectly willing to bear any burden if he could be satisfied that you are making the Indians self-dependent for the defence of India. Whenever there is a demand for making us self-dependent or of Indianising the services, you say, that we are not fit. But whose fault is it? We are not given sufficient training, we are not given sufficient chances to make ourselves fit. This reminds me of the old story in Shakespeare's 'As you like it'. Poor Orland's brother would give him no training and would still call him worse than an ass. Well, Sir, I wish to know definitely what is the programme before the Government? Where is the definite programme which lays down that within 5 or 8 or 10 years we will be made fit to defend our own country. If there is any definite programme, all right, this military expenditure could be justified under such circumstances to some extent, at least there could be a compromise. But we do not find any satisfactory programme of this nature. We prayed last year for a decrease in military expenditure. That has not been attended to. I do not find any appreciable decrease in the standing army when I compare the figures with those for the last year, nor do I find any attempt made towards Indianising the army. Until and unless we try to Indianise the army, nay Indianise all the services, and try to create a local militia, we cannot possibly expect to decrease our military expenditure, and the real defect lies in the policy itself. Our angle of vision is quite different from the angle of vision of those occupying the Government Benches. They should look at the whole thing from our point of view; they should know that we are poor; they should know that we are to be made self-dependent for our defence and for our trade, and therefore they should tell us that in so many years they would give us our own army. Then of course, we could have some satisfaction;

We may compromise and finish here, there, or anywhere. If we look at the causes that have brought about this system of high salaries of services, I think there were two reasons for that ; of course, here I speak subject to correction. One was that at a certain time—I am speaking of old, old times, when perhaps no care was taken of the interests of Indians and the Services were all in all - some of the servants of the Company Bahadur thought that India was a fit place for exploitation. They fixed this high standard of pay. Secondly, there is a difference between the standard of living of an average European in India and of an average Indian here. Our plain demand now is to fix the standard of pay according to the average standard of living of Indians in all branches of the Services. If we want Europeans to come and work amongst us, let them come and work on that standard. They might be given a little allowance in the form of overseas allowance or something of that sort. But if we recruit in our civil, military, medical or any other services on our present standard of pay, surely it will be impossible to reduce any expenditure even now or in the future. From the beginning up to now there have been very few years in which there has not been a deficit. You will find instance after instance where we had to raise taxation, where we had to show deficits and where we had to borrow. Even our borrowing power seems to have reached the extreme limit. We have to pay a higher interest than even some of the banks. That shows that our borrowing power is at stake. Why should not the Government, if it were only for sheer financial reasons though for nothing else, try to stand and look back and refuse to proceed in the direction in which they have hitherto been proceeding and begin the Indianisation of the services in right earnest and why should it refuse to make a substantial move in the reduction of all expenses ?

I have only a few words to say about the new taxation. I know that the time will come when we will discuss the details of it. But there is an item which is perhaps not subject to our vote. It is the proposed increase of railway fares for passenger traffic. That, I understand, can be done by the Executive Government under the provisions of the Railway Act. Well, Sir, Railway fares have been increased a good many times during past years. I need not bore the House by recounting the different stages. But if there is to be any increase at all in the fares, I would say that the whole burden should fall on the rich people and not on the poor. If any increase is to be made, let it be made in the first and second class fares, and let not the poor people, who already cannot easily afford to travel, be burdened at all, or if it can not be helped in any case, let them be burdened as lightly as possible. In saying this I am voicing the sentiments of a very large majority of my Honourable colleagues in this Honourable House.

In the end, Sir, I have to submit that the Government is responsible for a large portion of the Budget. We can only vote on a fraction of it. I have not calculated the figures. I think we can vote only on 20 crores or so. Therefore, Sir, it would be very unfair to expect that we should be a party to the proposed heavy taxation to meet demands for which we are not responsible. We would be perfectly honest, we would be perfectly doing our duty when we say that the Government has decided upon incurring all this expenditure, the Government has not listened to our request, it has not satisfied us that they have made a real and earnest attempt to decrease the expenditure or to take a definite step under which we can expect a definite decrease even within the coming years, the Government should also take the responsibility of this new taxation and we wash our hands of this matter. If you say that, it would be perfectly logical, it would be perfectly moral and it would be perfectly constitutional. The present state of our finances just reminds me of a saying of a great saint of India. He used that for spiritual purposes, but, if it be not supposed to be sacrilegious on my part to apply it to our business affairs here, I would say :

*'Mohe aise banaj sion nahin kaj,*

*Jit ghatah mool nit badhah biaj.'*

'I have nothing to do with such a business, wherein my capital is going down and down, is being wasted every day and the interest against me is increasing daily.' This is the present state of our finances, and, unless we really take the situation seriously, even if we manage to get through the difficulties for a year or two, the crash is bound to come. and in the interests of the Government of India itself, in the interests of the trade of the country and in the interests of the Indian public, a real change of policy should be immediately adopted.

**Mr. J. F. Bryant** (Madras : Nominated Official) : I do not attempt to deal with the Army Budget for a moment, but only wish to attack a few gratuitous statements which have been made in respect of it. It has been assumed, and assumed wrongly, that the Army is the source of all our misfortunes. I will not go so far as to say that the Army is an end in itself, far be it from me to put forward such a proposition. But I will go so far as this, that if there was not an Army, there would be no golden eggs. The cost of the Army is the insurance which you pay against burglary, and, without the Army, India will assuredly be the poorest country in the world. As it is, India has now become one of the richer countries of the world, and that, I think, gentlemen, is a position which is not generally understood.

The last speaker, or rather the last speaker but one made a remark that this was one of the most heavily taxed countries in the world. It was an extraordinary statement. It cannot for a moment be left unchallenged. Let me take my own country. We pay there in taxation, not 140 crores, we pay (with the rupee converted at the rate of 2 shillings) over 1,000 crores, and that with a population of only one-sixth of that of this country. (Cries of 'What is the income?') Converted into rupees at the present rate of exchange it would be over 1,500 crores, and—I would emphasise it,—paid by a population only one-sixth of that of this country.

Now, I come to the Honourable the Finance Member. He has been subject to attack after attack throughout the day. It has been imputed to him that he has laid an additional taxation of 18 crores upon this heavily-taxed country. What are the figures? If you examine them in detail, you will find that he is almost a public benefactor. If anything, he has benefited this country to the tune of some 2 crores. He set out hoping to be 18 crores up: he ended by being 20⅓ crores down. That, I think, is a fact which the House has overlooked. He has, it is true, attempted to impose an additional burden of 18 crores upon this country. But mere attempt without any positive result—with a minus result—is hardly an offence. I think that, on the evidence, he may be given the benefit of the doubt.

I should like to turn to a group of speakers who attacked the salt tax, the increase in railway fares and the increase in income-tax. (*A Voice* : 'Would you mind speaking up, Sir?') They have been actuated by the entirely wrong assumption that those items were heavily taxed. I maintain, Sir, that nothing is farther from the truth. Take for instance, salt. Salt used to be taxed Rs. 2-8-0 and not 1-4-0 and that was at a time when the people who consumed the salt only got half the income they are getting at the present moment. (*A Voice* : 'What about increase in prices?') Let us go into the question more in detail. I think it was Mr. Darcy Lindsay who assured us that the persons who consume the salt, or at any rate a fraction of them, are now, in spite of increased prices and in spite of increased taxation, living in relative comfort by working three days a week whereas they formerly worked six days a week. I think that was his statement. If such be the case, it will be a positive benefit to this country to impose on them such taxation as would make them work at any rate 3¼ days instead of 3 days. We would then not be faced with that heavy deficit in railways to which the Honourable the Finance Member has drawn attention, which is partly the outcome of short hours at the coal-fields.

In regard to railway fares, it has been assumed throughout the House that we have come to the limit of taxation. I have not the figures with me, but you may take it that the railway fares are a mere fraction of what they are in my own country. It is a quarter, I think. I speak subject to correction. At any rate, it is about a quarter.

I come to income-tax. It has been assumed that this country cannot pay any additional income-tax. What is the income-tax of this country? Of course, it varies, as it is on a sliding scale, but, roughly speaking, it is about one anna in the rupee, at any rate for the middle classes. In England, it is six shillings in the pound. (*Sir Montagu Webb* : 'That is the lowest rate, I think'.) It is, roughly speaking, 5 annas in the rupee, and land also pays income-tax as well as land-tax. Now, I come to another group of speakers. They made an attack upon countervailing duties. With one exception, they are all rich men. They are mill-owners or are interested in the cotton industry in Bombay. It was not the import duties they attacked. Oh, no. They were perfectly satisfied with them. They were perfectly content to let the import duties alone. They rather welcomed the increase in the import duties because they form a protective wall round the country. That wall means an increased price for their own wares. It means that they would draw increased dividends and that is why they asked the Honourable the Finance Member to withdraw his wicked proposal of annexing that extra profit which would otherwise go into their own pockets. It was most iniquitous, I admit,

but still, on the whole, I think I would prefer the Honourable the Finance Member to reap the benefit of his exertions rather than to let that benefit pass into the pockets of mill-owners.

Then Mr. Seshagiri Ayyar said something. He made an astonishing statement. He said: 'did the Finance Member realize that by the small additional tax on yarn, some six million people would be thrown out of employment in this country?' I have a great regard for Mr. Seshagiri Ayyar; I have known him for a great many years; I come from his province, and am actuated by the highest sentiments of respect for him, but I think that his is a most alarmist statement. I assume that, in spite of the tax, the requirements of yarn in this country will be exactly the same as before; people will use as much cloth as before, and the outturn of these six million people will be the same. The tax on machinery will assist them since it will deter to some slight extent the rich mill-owners from setting up new mills to compete with them. That is the long and the short of it.

Then, his constructive proposal was almost as unsound as his other arguments; it was almost the only constructive proposal that I heard to-day with the exception of those of Mr. Darcy Lindsay. The long and the short of that constructive proposal was this: He proposed to lead a foray into the provinces, to upset their financial arrangements, to repeal the Permanent Settlement, and when he had done all this, when he had thoroughly upset the provinces, when he had thoroughly upset the Zamindars, he would bring back not a single shilling. That, I think, was the extent of his constructive proposal.

Gentlemen, it is not my intention to defend this Budget. Far be it from me to do so, but I think I have pointed out a few of the considerations which have led me to suppose that some of the attacks upon the Honourable the Finance Member are a little wide of the mark.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 7th March, 1922.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Tuesday, 7th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

### GENERAL DISCUSSION ON THE BUDGET—*contd.*

FIRST STAGE—*contd.*

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): Sir, this year's Budget has been described in yesterday's debate by some as distressing, deplorable, as an Insolvency Budget and so on. I, Sir, am a robust optimist. I see a silver lining to every cloud and I look upon this Budget as a hopeful sign of the times, an indication of coming events, a shadow, if you would prefer to call it, of coming events: and I mean by coming events the days soon to dawn when this House will have complete power of the purse. It is not for the first time that we have been having a long series of deficits. As the House will remember, when the East India Company was made to deliver its possessions to the direct control of the Crown, one of the charges made against the management of the Company was that the finances were so hopelessly bad that it must be a bad Government and must be replaced by the direct control of the Crown. I will remind the House of a speech made by John Bright, the great Tribune of the people and one of the stoutest champions of Indian aspirations in the House of Commons in those days. About the time the Proclamation of 1858 was issued, he made the following observations. Speaking of the East India Company and the management of its finances, he said:

'If there were another charge to be made against the past Government of India, it would be with regard to the state of its finances. Where was there a bad Government whose finances were in good order? Where was there a really good Government whose finances were in bad order? Is there a better test in the long run of the condition of the people and the merits of a Government than the state of the finances? And yet, not in our own time, but going back through all the pages of Mill or of any other History of India, we find the normal condition of the finances of India has been that of deficit and bankruptcy. I maintain that, if that be so, the Government is a bad Government. It has cost more to govern India than the Government has been able to extract from the population of India.'

Well, Sir, history is going to repeat itself. In the past, it led, as I have said, to the direct assumption of the possessions of the East India Company by the Crown. I hope that the series of deficits that we are having now will lead to the direct possession of the power of the purse by this Assembly, much sooner than is perhaps fancied by the Assembly. From that point of view, I look upon this Budget as a hopeful sign of the times.

Sir, what is at the bottom of these bad finances? As every one has said it is military expenditure, the octopus of the Military Department, that is swallowing up our revenues. It cannot last long. We have no power to subtract even a rupee from the Military Budget. Of course, we have been permitted to discuss it; but what is the good of discussing a Budget which we cannot reduce even by a pie? Therefore, the situation is that this House is asked to vote a Budget and to vote taxation upon a basis which excludes from its purview more than half the revenue and expenditure of the Government of India.

Sir, I have been a severe critic in my day of the military policy of the Government of India. I say that crores and crores of rupees are being poured into the military adventure called Waziristan. I know that since 1919 it has been decided to occupy Waziristan and make it into an administrative unit like Baluchistan. The Sandiman policy may have succeeded in Baluchistan on account of the great personality of the man and on account of the peculiar conditions in Baluchistan. But last year, as you know, from November 1920 to March 1921, ten crores of rupees were spent in Central Waziristan. (*The Honourable Sir Malcolm Hailey*: 'Six crores'.) From November 1920 to March 1921, ten crores were spent there. Eight crores besides were added to our expenses on account of the increased pay of the British soldiers which the War Office sanctioned—a sanction over which we had no control and in which we and the Government of India have no voice. That made up 18

crores, which was nearly the amount of the deficit for which we budgeted last year. The whole of it was due to the British Army in India and to this military policy in Waziristan. Whatever may be said about the Waziristan adventure from the military point of view, from the financial point of view, I oppose it ; and I take it that I express the sense of the House and of enlightened public opinion, English and Indian, outside this House, when I say that that policy must be abandoned. And what is that policy ? Waziristan is a mountainous barren tract of country. Its people are generally unable to maintain themselves ; they are war-like and have never owned the suzerainty either of the Amir of Afghanistan or of the British ; independent and democratic in their ways and habits of life, they decline to be brought under subjection by any party. The Amir, I think, did a wise thing from his point of view in allowing the British to manage them. The British have pursued the policy of occupation since 1919, and, if I am not mistaken, the idea is that there is a large amount of mineral wealth in Waziristan, oils and other minerals, which have yet to be explored and which will ultimately make the country self-supporting. I consider that a Utopian idea, a dream, a vision, a delusion, a snare, a mirage (Laughter), in the pursuit of which I am not prepared to allow crores and crores of the Central revenues to be sunk.

Another aspect of this military policy is this. I want the Government of India, the Governor General in Council, to be master in its own house. I ask, is the Governor General in Council in regard to the military policy in India master in its own house? I say no, and if I am wrong, let me be corrected If the Governor General in India is not master in his own house, if our military policy is to be dictated by the Chief of the Imperial General Staff at the War Office in London and by His Excellency the Commander-in-Chief in correspondence with the War Office—it may be, over the head of the Viceroy—then I say, it is a vicious system, mischievous in practice and wrong in conception, and it must be done away with as soon as possible. If the Governor General in Council is responsible in fact and in theory for the whole army organisation and military policy in India, then this House can bring the Governor General in Council to book. But if he is not, it is idle for us to speculate as to what the policy will be; it is idle for us to complain in regard to the policy pursued, and we are absolutely helpless, as helpless as the Governor General in Council probably is in these matters. Take, for instance, the War Office transactions. I have not been able to unravel the mysteries of the War Office transactions in the Military Budget. The House will remember that on the Esher Committee Report I made a point that, if Indian troops are to be sent overseas, every pie spent on them must come from the British Treasury. I was assured by the Honourable the Finance Member that that would be so. I want to know how much the Indian Government has received from the War Office up to now for the overseas troops which have been during the war and since the war engaged outside India. What has been the rate of exchange which has been given to us by the War Office? What has been the loss in those operations and who is going to suffer by it? Not the Government of India, but the general tax-payer in India; and is it right that that should be so? If that is not right, then surely the Honourable the Finance Member will enlighten us as to what he is doing in order that we may get every pie of what we are entitled to. Then, again, expenditure is, as I said on a previous occasion, a matter of policy. What is the policy which the Military authorities have in regard to the Military organization in India? I was one of those who gave evidence before His Excellency the Commander-in-Chief's Committee of Military Requirements. Well, I have been waiting since then to know what the recommendations of that Military Requirements Committee are. They have gone Home. They went Home to the Sub-Committee of the Committee of Imperial Defence. Mr. Sastri (now the Right Honourable) was appointed by the Secretary of State to be on that Committee. Has he been able to attend any single meeting of that Committee? Who represented the Indian Legislature there on that Committee? Who represented the Government of India on that Committee? Were any representations made to that Committee on behalf of, and with the authority of, the Governor General in Council by General Sir Claud Jacob or were those representations made by him over the head of the Viceroy and the Governor General? Well, Sir, let us know what the policy of the Military authorities is. I understood again when I was in Simla (I hope to be corrected if I am wrong) that a Committee was sitting for some months to devise a scheme for the Indianisation of the Army. What has happened to that? Are you going to Indianise the Army or are you not, or are you going to make us wait till the Greek Kalends for that contingency? As everybody knows, surely His Excellency the Commander-in-Chief must know, when the British Army was first formed, it was officered by what are called 'Black Commandants' in Kaye's 'History of the Sepoy War,' that is, British troops commanded by

Indian officers. That policy was subsequently given up and to-day we are told that no such officers can be appointed unless they have gone through a long series of training, which may be 10 years, 15 years or 20 years. I will give the reference to His Excellency the Commander-in-Chief. Let him see Kaye's 'History of the Sepoy War' and see what the organisation of the British Army in India was when the British Army was first formed and by the aid of which the British conquered India. Well, Sir, let us have a policy. Let us know that you are going to Indianise the Army within a certain reasonable length of time. Then, there will be some hope in the country. The people will know that the machine is moving in the direction of making this country a self-governing unit of the British Commonwealth, so that it may defend its own borders. That does mean, with its own officers. If that is not going to be so, then I am afraid the day will be hastened when this House, instead of being merely restive, will be resentful of the disabilities under which it suffers.

Sir, the Honourable the Finance Member said again that, so far as Civil expenditure went, there was not much scope for retrenchment. I wonder what was the good of our debating that Resolution here only the other day about appointing a Committee of officials and non-officials to bring about retrenchment, if that is the state of things. I decline to believe, Sir, that no effective retrenchment or substantial retrenchment is possible even on the Civil side. I fail to see why establishments are still entertained as they were in the pre-Reforms days in regard to subjects which have been provincialised, which are transferred subjects now in the different provinces. 'Education' is a transferred subject, 'Agriculture' is a transferred subject. 'Industries,' I was here reminded by the Honourable Mr. Chatterjee, the Secretary, the other day, is a transferred subject, and yet the old establishment is there, as though nothing had happened, and as though no reform had taken place and no provincialisation of these subjects had taken place. Well, Sir, there is a great deal of scope for retrenchment there at any rate. There is a great deal of scope, if the Honourable the Finance Member so chooses, in retrenching the higher staff. There are Secretaries, Joint Secretaries, Deputy Secretaries, Under Secretaries and so on. The Government of India Act of 1915 laid down certain appointments as reserved only for the Indian Civil Service. The Government of India Act of 1919 removed from that list many of the appointments and yet perhaps you find the same number of officers there, engaged perhaps under different nominations. Well, there is a Joint Secretary, Additional Joint Secretary, Deputy Secretary, Additional Deputy Secretary, and so on and so forth. Has there been any earnest effort made to bring about a substantial reduction in that respect in accordance with the spirit and the letter of the Government of India Act of 1919 ?

There is another point, Sir, so far as the Civil administration is concerned. There was a Resolution moved by my friend, Mr. Jamnadas Dwarkadas, the other day about Indianisation of the Services. Well, what is the Government of India going to do in respect of that ? Surely, one way of bringing about economy and retrenchment is to Indianise the Services. I mean by Indianisation of the Services the stoppage of recruitment in England for all these Services, throwing open the door for recruitment to Indians and domiciled Indians and all those who have settled in this country in order that the Services may be Indianised. That will lead to economy and a great deal of retrenchment. It is no use, when the Resolutions are moved, telling us that the Government sympathise with those Resolutions and then afterwards, on account of over-work, probably sleeping over those Resolutions. Effect has to be given to them, and, if the Government of India is in earnest about it, let them take us into their confidence, let them take this House into their confidence, and tell them what steps from day to day, from time to time, they are taking in these directions. Unless these things take place, there is hardly any hope of the finances improving.

Sir, I do not now wish to go into the reasons which have compelled the Honourable the Finance Member to bring about this Budget. It will be remembered that last time, when the Budget was under discussion, when the Finance Bill was under discussion I was one of those who requested this House and the Honourable the Finance Member to raise the import duty from 11 to 12½ per cent. and I protested against 1*s.* 8*d.* being taken as an average of exchange. (Hear, hear.) Of course, the House at that time was not inclined to listen to what I considered a reasonable demand. (*Mr. Jamnadas Dwarkadas* : ' Except the Bombay Members '.) Yes, except the Bombay Members to whom it was as clear as daylight what was going to happen. But, if our suggestions had been accepted at the time, then much of the difficulty, at least a great portion of the difficulty under which the Finance Member laboured in framing this Budget this year would have been removed. Well, it is no use crying over spilt milk, but here is the

Budget with a heavy deficit of 31 crores for next year, with an indefinite liability for Waziristan.

If I am not mistaken, the policy of the military authorities is to spend about 5 crores per annum in Waziristan for another five, six or ten years before they think they can occupy it completely and make it an administrative unit. This House is not going to submit to that sort of drain on our resources. As I have already said, the Honourable the Finance Member could have, if he so choose, put his foot down, as one of his predecessors did, upon this adventure. Sir Auckland Colvin, one of his predecessors, as Finance Member, predicted that an increase in the British Army and Indian Army over the maximum that was laid down by the Simla Army Commission of 1879 was bound to lead to adventures on and beyond the frontier, on the part of the military authorities, and he protested against it on two grounds: first, that it was not needed in Indian interests; and secondly, if it was needed at all, it was Imperial interests that were concerned, and consequently Indian revenues should not be taxed. I pointed that out on a former occasion.

I again come to that point, Sir; I say, if, from the military point of view, you think that this policy which you are pursuing is necessary, then right along from the North-West Frontier down to the frontier down below all the expenses which are needed for that, the whole of that military expenditure should be shared between the War Office and this country. It is not purely in Indian interests. It is in order to prevent foreign aggression on India. If foreign aggression is to be prevented on India, it is as much the interest of the United Kingdom to see that India is saved to the United Kingdom as it is the interest of India to see that it prevents foreign aggression. His Excellency the Commander-in-Chief says 'No'. He nods. I must say, if that is not going to be so, India is not going to submit to this extra taxation. Where would England be without India, and I ask also where would India be without England? Our interests the interests of both, are interlinked, interlaced, and, in a matter of this kind it is not purely India's interests that are concerned; it is the Imperial interests that are also concerned and both must share in this extra expenditure and not India alone should be made to bear the whole of it.

Well, Sir, what are we going to do then to bring about pressure to bear on the Government of India in regard to this curtailment of military expenditure? The House will remember, early in the Session I brought forward a Resolution that the Local Governments may be given a voice in the military expenditure of the Government of India. The House was then new, and many of the Members were carried away by the persuasive eloquence of the Honourable the Finance Member when he put it to them: 'Look here, you have got powers under the Government of India Act to control your military expenditure, and you are being asked to give away those powers and relegate them to the Local Governments of the different provinces.' A great many of the Members were, I am sorry to say, deluded by that, and I put it to them that it was not open to us even to discuss, without permission of the Governor General, the Military Budget, and it was certainly not permissible to us to vote on it; and the Honourable the Finance Member said: 'you have got powers in your own right to bring reductions in the military expenditure.' This is what the Honourable the Finance Member said on that occasion:

> 'The Assembly, according to the Honourable Mr. Samarth, cannot even discuss military expenditure. I think we had to-day a proof that they can at all events enter on such discussion, and I think we shall find during the Budget debate that their powers of effectively discussing and criticising military expenditure are by no means limited or insignificant. In fact, I myself have no doubt that the Assembly will find that in a short time, as a result of its direct powers of control over civil grants and of its indirect powers of criticism through Resolutions and of its power of refusing to vote taxation that it will have those large powers of influencing our finances which it was intended by Parliament that it should exercise.'

I trust that the House will exercise those powers.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Sir, the almost universal congratulations bestowed on the Honourable the Finance Member, and the almost universal condemnation of his Budget are clear indication that, though the Honourable Member's Budget is mathematically right, there is something intrinsically wrong with the policy which underlies it. We have been told that we, the youngest of Parliaments, have shown ability and responsibility in dealing with matters of vital policy. Sir, we cannot justify these compliments which have been lavished upon us by the Honourable the Finance Member than by bringing to bear upon the discussion this morning that ability and independence for which this Assembly has already earned a reputation.

Sir, during the last two years the expenditure of the Government of India has been rising by leaps and bounds, and the Budget figures of last year, compared with the Budget figures of the ensuing year, will convince anyone that the Government of India is suffering from unwonted prodigality. The Government of India could not have been unaware that in doing so they are setting at naught the considered opinions not only of this House, but the considered and unanimous opinions expressed by the financial experts of the civilised world assembled in the International Conference at Brussels, at which the Government of India was adequately represented. Will the Honourable the Finance Member be surprised to hear what were the conclusions of that Brussels Conference? These are not the speeches delivered under the stress of political necessity, but these are the conclusions recorded by the leading financial experts of all the leading nations of Europe and America. In their unanimous report occurs the two following passages which I ask the Honourable the Finance Member to ponder over and reflect on. They say :

'Nearly every Government is being pressed to incur fresh expenditure, largely on palliatives which aggravate the very evils against which they are directed. The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin (*The Honourable the Finance Member* : '*Hear, hear*'); to escape from that path no sacrifice is too great. (*The Honourable the Finance Member* : '*Hear, hear*'.)'

I hope the Honourable Member will cry out 'Hear, hear' to my next quotation from the Conference :

'The statements presented to the Conference show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure.'

I pause at this stage for some ejaculation from the Honourable the Finance Member :

'Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity.'

Then again at page 10 this is what the experts said :

'The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin. To escape from that path no sacrifice is too great. It is, therefore, imperative that every Government should, as the first social and financial reform, on which all others depend, restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.'

The Honourable the Finance Member is somnolent :

'The Supreme Council of the Allied Powers in its pronouncement on the 8th March declared that 'Armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security, and that the League of Nations should be invited to consider, as soon as possible, proposals to this end.'

Later on, they italicise these words and point out that in no case should military expenditure exceed 20 per cent. of the revenues. Sir, what is the percentage of military expenditure to the revenues of this country. ? Is it 20 per cent. the maximum fixed by the financial experts at Brussels? Is it 25 per cent.? Is it 30 per cent. ? Is it 40 per cent. ? Is it not in the neighbourhood of 50 per cent.? This, I submit, is the crux of the whole question. We live here to feed that all-devouring, all-consuming, that all-desolating Moloch, the Military Department. Year in and year out, we are told that this Department exists from dire necessity. Last year the Honourable the Finance Member, in opening his Budget speech, said, the military expenditure of this country would be justified by His Excellency the Commander-in-Chief. I venture to think that the Honourable the Finance Member was here guilty of a dereliction of duty. It is not for His Excellency the Commander-in-Chief to lay down a policy justifying military expenditure. It is his duty to execute the orders which the Civil authorities give for the purpose for which the military expenditure is voted by the Central Government. I submit, Sir, the question is, therefore, not a question for the Military Department to consider. It is a question for the Civil Government to consider. It is a question upon which the Civil Government must formulate a definite policy. We want an assurance from the Honourable the Finance Member as to whether he is going to adhere to the policy enunciated by the Brussels Conference. Is he going to lay down a policy that no more than 20 per cent of the revenues shall be devoted to military necessities? I submit, Sir the question in this case is not what the Military want, but what we can afford to give them. Public opinion in this country has been crying itself hoarse, from the days of the late lamented Mr. Gokhale down to the present time, asking the Central Government to enunciate a definite military policy, but the matter has been permitted to drift. We intend to ask the Honourable the Finance Member to define and declare to this House

the policy of his Government on the subject of military expenditure, and unless he does so, we shall feel constrained to use all the constitutional powers which the Government of India Act confers upon us to arrest the further progress of this Budget. Sir, the Budget is presented to us every year, but what is the relation which this Budget bears to the real figures, to the actual receipts? Take, for instance, the gross receipts of the last year's actuals In the import duties the increase varied from 25 to 50 per cent. My calculations are rough. Increased realisations were below 10 per cent. Now they have been increased from 35 to 400 per cent. in the case of import duty on machinery. The Budget which has been presented to you expects an increase of about 50 per cent. that is, a rise from 37 crores to 51 crores. Railways increase from 10 to 30 per cent. The actual increase that was realised is 2½ per cent. The passenger rates are to be now raised by 25 per cent. Expected increase 20 per cent. What will be the actuals I shall presently disclose. Salt: proposed increase 100 per cent.; expected realisations 85 per cent. Posts and Telegraphs: increase about 20 to 30 per cent.; net decrease 6 per cent.

Now, the proposal is to increase by 50 per cent. on letters; they expect 22 per cent. increase which, I submit, is impossible. This is an illustration of the doctrine of diminishing returns to which my Honourable friend, Mr. Harchandrai Vishindas, alluded yesterday. The more you tax an article, the more money you expect from it, the more are your estimates falsified and you do not realise up to the expectations made.

Now, Sir, I said that the military expenditure has been growing by leaps and bounds. What about the civil expenditure? The civil expenditure has been running an even race with the military expenditure. In Railways in 1920-21, the working expenses was Rs. 54½ crores; in 1921-22, it rose to Rs. 66 crores; in the next year, the Budget figure is Rs. 68½ crores. Posts and Telegraphs in 1920-21, Rs. 8 crores, in 1921-22, Rs. 9 crores, and in 1922-23, Rs. 9½ crores. Customs Collections charges increased by 20 per cent. Taxes on income increased by nearly 125 per cent. Salt, including the cost of production, increased by 30 per cent. Opium increased by about 53 per cent. Forests increased by about 39 per cent. This enhancement is the second enhancement after the extraordinary additions made to the emoluments of the services prior to 1920-21. In the military we have 7,000 officers holding the King's Commission and an indeterminate number of Indian officers for about 65,000 British troops and 150,000 Indian troops; and it has been said that the post-war establishment is less than the pre-war establishment. Yet what do we find? In 1919-20, the Budget figure was in the neighbourhood of Rs. 45 crores; in 1920-21, it ran up to Rs. 54 crores and in 1921-22, it is Rs. 58 crores These are the Budget figures. Look at the actuals. Actuals for 1919-20, Rs. 70 crores, for 1920-21, Rs. 68 crores, and for 1921-22, Rs. 62·20 crores. I ask, Sir, in view of these facts, how can we take an assurance from the Honourable the Finance Member that, even after the additional taxation which he wishes to impose upon this country, there would be only a deficit of about Rs. 3 crores? He has already told you that the expenditure on Waziristan is an indeterminate factor. He will come up next year and say that the actuals are as different from the budgeted figures as they were last year and that the deficit is once more somewhere in the neighbourhood of Rs. 40 crores. I ask, Sir, is the House prepared to finance the Government of India at this rate? (Cries of 'No'.) He told us that within the last four years the deficit has been Rs. 90 crores; and if you were to tax your people, tax the necessities, the necessities of the poor, you could raise the sum of Rs. 31 crores. But there is no finality to this taxation. Next year you may have to redouble those taxes. Honourable Members must remember that.

Now, as regards the taxes, I strongly object, Sir, to the salt tax. It has been said by the Honourable the Finance Member that the salt tax works to about three annas per head per annum. But has the Honourable the Finance Member forgotten that even cattle eat salt and that the requirements of cattle are far larger than the requirements of men? Is the Honourable Member aware of the fact that the salt tax as it exists to-day is the heaviest tax in all the civilised countries of Europe? Let me give him the figures. In 1907-08, France with a gross annual income of £25·7 per head per annum used to pay salt duty per head, in terms of a day's income, half a day's income; Germany with an income of £18·7 paid one day's income. India with an income of £2 paid two days' income. I read this from the proceedings of the Imperial Legislative Council of 1907-08. Is the Honourable Member, I submit, prepared to justify the imposition of the salt tax which, as I have said, is a matter of sheer necessity not only with the people but with the agricultural cattle of this country?

Then, Sir, I pass on to the question of the excise duty. In this connection, I commend to the notice of the Honourable the Finance Member the proceedings of 1 ·94 when the cotton duties were for the first time levied upon the product of this country. Honourable Members will find there that the non-official opinion, European as well as Indian, unanimously condemned the imposition of a tax upon its nascent industries and the Government of India itself said that there was no moral justification for the imposition of this excise duty. What the Honourable the Finance Member then said was:

'My Honourable friend, Sir Griffith Evans, describes the power of the Council as free and unfettered and calls upon Members to allow no infringement of that freedom. I cannot help thinking that this attribute of a quite independent power arises in some measure from the fact that the authority which in the United Kingdom is the ultimate deciding power in executive matters is also that which exercises legislative authority. But, as a matter of fact, I do not believe that there is any Legislative Chamber in the world that is allowed to exercise its functions without regard to some other authority superior or concurrent.'

And then he pointed out that he had received the orders of the Secretary of State to impose these duties and he was bound to give effect to those orders; and what was the result? On a division, the motion was carried by one solitary vote; the Honourable the Finance Member will find at page 450 that in a nominated Council of 23 who were present, it was stoutly resisted by all the non-officials, Europeans as well as Indians, and it was carried by one single vote. Sir, I strongly protest against the enhancement of countervailing excise duties, though I join with Honourable Members here in thinking that, if levied, it will not fall upon the capitalist, but will eventually fall upon the poor consumer; but, I submit, the principle is a vicious principle. We cannot permit our young infant industries to be taxed by its own Government. I was interested to read a telegram, which must have amused the Members of this House, the Manchester Chamber of Commerce congratulating the Honourable the Finance Member upon the imposition of these countervailing cotton duties. We have been told that the Central Government has not been inspired by Lancashire to impose these countervailing cotton duties. Well, Sir, I am not in the confidence of the Government of India; I do not know whether these countervailing duties have been imposed on the inspiration of the Secretary of State, but what we do know is that they have led to a sudden jubilation in Lancashire . . . .

**The Honourable Sir Malcolm Hailey:** May I rise to a point of order, Sir? The Honourable Member is, I think, referring to a statement made by me, in which I stated that these proposals were not based on any pressure or suggestion of the Secretary of State. I hope that, after I have repeated that statement to this Assembly, the Honourable Member will withdraw what he has just said, namely, that he does not know whether these duties were based on a suggestion of the Secretary of State.

**Dr. H. S. Gour:** I am very glad to hear that, Sir. It is a case of two persons thinking alike. Lancashire says: 'How much we should like to have these countervailing duties,' and my friend, the Honourable the Finance Member, sitting in Delhi, said: 'How much I should like to impose on them.' It is a case of two individuals, two great original minds thinking alike, and we find, Sir, from the telegram which Reuter has cabled to this country that these countervailing duties have received the support of the Lancashire people. I leave the matter at that, though I accept the Honourable the Finance Member's assurance that these countervailing duties have been imposed *suo motu* and not under any pressure or orders of the Secretary of State.

Then, Sir, I pass on to the import duty on machinery which stands upon the same footing.

Kerosene and matches, I submit, are also a poor man's necessity and should not be taxed.

We then pass on to other taxes, or rather to two other increases, the railway fare and the postal rate. I agree, Sir, with the majority of my friends who have spoken on this subject that the large increase of passenger fares, specially in the case of the third-class passengers, should be resisted by this House. So far as the postal rate is concerned, I submit, the matter is one in which the Honourable the Finance Member should allow this Assembly to express itself. We have said so last year, that the post office is a matter of public convenience and a small deficit should be worked off by increased retrenchment in the expenditure. I suggest, therefore, Sir, that the Honourable the Finance Member would be well-advised in re-casting his Budget in the light of the observations made by the Members of this House. We are prepared to assist the Government, but, at the same time, the Government must realise that we have also a duty towards our people. The Honourable the Finance Member in his Budget speech has

stated that we had not incurred any fresh expenditure, but he has avoided mentioning as to what he has done to curtail the existing expenditure. Honourable Members will remember that last year, when we delivered our Budget speeches, we made it abundantly clear that we protested against the increased and increasing expenditure, and we said that we gave our consent to the first year's Budget on the clear understanding that the Government should bring into existence a general Retrenchment Board and cut down expenditure. What has been done? When a Resolution was moved in this Assembly, it was stoutly resisted by the Government of India. When the Resolution was moved in the other Chamber, it was resisted and defeated. It was only under the pressure of this House that a Retrenchment Committee is about to be appointed, but its constitution is still obscure. The Honourable the Finance Member has, no doubt, stated that it will deal with civil retrenchment extending only to Rs. 20 crores. The Honourable Members of this House must make it clear that this will not answer the purpose. What we require is general retrenchment: the super-axe must be applied to all expenditure, whether civil or military. It is that which this House requires. It is not merely cheeseparing with the Civil Departments of the Government of India that this Retrenchment Committee was sought for. What we wanted was a complete revision of the expenditure of the Government of India. Is the Honourable the Finance Member prepared to constitute such a Committee?

Well, Sir, I shall only take one minute more to explain to the Honourable the Finance Member that he was one of those who strongly resisted the attempt made by a Member of this House to bring the Military Budget under the vote of this Assembly. He quoted chapter and verse, interpreted it in his own way, and, when he found that he was confronted with the adverse vote of this House, his Government consulted the Law Officers of the Crown, and they have decided that this Assembly has neither the power to vote nor even to discuss military matters without the permission of the Governor General. Honourable Members here are aware of the fact that the late Imperial Legislative Council was free to discuss the whole Budget as a matter of right and not as a matter of annual concession by the Governor General. Let them remember that this interpretation of the Government of India Act deprives this youngest of Parliaments of the right to discuss military matters, which the unreformed Imperial Legislative Council could discuss as a matter of right. We come here by the leave and licence and by the permission of the Governor General in Council (*Voices*: 'No, no'), by the permission of the Governor General, to discuss these matters which were open to free and unfettered discussion by the late Imperial Legislative Council. This is the effect of the Reforms ('Shame'), and yet we are told that this youngest of Parliaments possesses constitutional powers which will influence the decision of the Governor General in Council. Well, Sir, these discussions by the late Imperial Legislative Council and by the present Assembly have been annually directed against the increase of the military expenditure. Let us hope that the Honourable the Finance Member will at any rate take this year our decisions seriously and apply his own shoulder to the wheel of real and permanent curtailment of all expenditure, both civil and military.

**Sir Montagu Webb** (Bombay: European): Mr. President before proceeding to discuss the proposals that have been placed before this House for the purpose of carrying on the work of Government during the coming year, I should like to associate myself with those Members who have expressed their sympathy with the Honourable the Finance Member in the extremely difficult and unpleasant position in which he now finds himself. I may perhaps be permitted to remind Members that I took an active part in the controversies which raged 30 years ago and which were caused by the amazing rise in the value of gold.

I held in those days that there was nothing wrong with the rupee, that there never was anything wrong with the rupee. And there is nothing wrong with the rupee now. When the value of gold commenced to fall, I agreed with the recommendation of the Fowler Committee that the time had come when India might appropriately adopt a gold standard and a gold currency, and from that time I continuously worked in order to secure for this country that best possible of monetary tools. I think too, I can claim responsibility for the appointment of the Chamberlain Commission in 1913, and for the change of attitude on the part of some people at Home towards India, the change of financial and currency attitude which the recommendations of that Commission brought about. I merely mention these facts now, Sir, in order to recall to Members' minds that I have for the last 30 years played a continuous and active part in the financial and currency deliberations in this country, and, with that experience behind me, I say unhesitatingly that the difficulties, the financial and currency difficulties, which were experienced in the past, and which were regarded as very serious indeed

by the Financial Members and by the Governments of those days, were mere child's play compared with the unprecedented complications with which we now find ourselves faced. (Hear, hear.) It is for this reason, Sir, it is because the difficulties which the Honourable the Finance Member has now to overcome are of an unparalleled magnitude and are wholly without precedent in the world's history, that I urge that we should avoid all barren criticism and should unite in a sympathetic understanding of the true position in order that we may give to Sir Malcolm Hailey and to the Government of India every possible assistance in our power. (Hear, hear.)

Now, Sir, let me recall one or two facts. I confess to some amazement that hardly any of the Honourable Members who have already spoken on the Budget, have referred to the war. We have passed through the most appalling and certainly by far the most expensive struggle in human history. In that struggle, India with the aid of the British Empire was able to resist all attacks upon her. She put forth her best and gave of her best. Now, in the progress of that war, owing to the demands of the war, and owing to the vast creations of new money essential to engineer victory, there has been brought about an increase of prices all over the world -- an enormous increase of prices. The increase has been less in India than in Europe, but still it has been very serious in this country. That rise in prices has brought some few people great fortunes, but to the majority of the people of this country and to the Government, and in particular to Government servants on small pay and to everybody else on small pay (*Dr. H. S. Gour:* 'Like Members of the Assembly'), this rise in prices has been nothing short of a calamity. (*Mr. Jamnadas Dwarkadas:* Prices are going down everywhere, but they are rising in India.') The fall in prices which has commenced in the United Kingdom has, I do not think, yet been generally reflected in India, but the rise of prices in India as compared with the level of pre-war days, has not been nearly so great as it has been in Europe. That rise in prices has of necessity involved greatly increased expenditure in all directions, - greatly increased expenditure for everything which Government has to buy, and greatly increased wages for all Services. Also, there is the consideration that we have to meet the interest charges arising out of the war loans. We have to meet the expenses of pensions for the families of those Indian soldiers who have fought and died during the war. Can we be surprised in view of the great increase in prices, of these additional charges for interest, for pensions and other expenses, that the Budget figures have recently gone up year by year and that they are now getting on for twice what they were before the war commenced? Surely it is hardly fair to attribute these increased figures to the carelessness or the neglect of the Finance Member and of the Government of India.

I have been trying to make some effort to discover exactly how far prices have risen. In the last report published by the Government of India, I find that the increase of prices of ten selected foodstuffs between 1913 and 1920 has been approximately 87 per cent. I find that the increase in prices of cotton, jute and sugar has been about 67 per cent. whilst the increase in prices of coal, iron, kerosine, and grey cotton goods has been about 152 per cent. It is difficult to determine exactly what the average advance has been, but it is certainly over 60 per cent, and it is possibly over a 100 per cent. I think we should be right in computing that prices have gone up very nearly a 100 per cent. We cannot feel very much surprised, therefore, if the expenditure of Government has very considerably increased also.

Now I come to this year's Budget statement. So far as the figures for the current year are concerned, there is a terrible deficit, —34 crores. My Honourable friend, Dr. Gour, spoke as though the differences between the figures of Estimates and Revised Estimates were the direct consequence of the Finance Member's stupidity or neglect or ignorance. But, I submit, that an examination of these figures will show that this deficit has very largely arisen from causes entirely outside the control of the Finance Member or the Government of India. The expenditure has increased, the revenue has gone down. If we look to see exactly where the chief falling off in revenue has been, we find that Railways and Customs are chiefly responsible. I need hardly remind Members of this House who are familiar with trade and commerce, that the cause of this falling off is bad trade and nothing else. Bad trade is not confined to India. Bad trade is at the present moment unfortunately prevalent throughout the whole world, and it is extremely difficult to say exactly when the recovery will take place. That explains the falling off in the revenue. The increased expenditure last year has mainly arisen from the adjustment in the Exchange figures.

The Budget was calculated at 1 shilling 8 pence,—that is, the Home Charges. I cannot, I must confess, utter a single word of defence for that

figure or for the policy which the Government adopted last year in the sale of Reverse Councils. I think the policy and the estimate were wholly wrong. But the fact has to be faced; and the deficit in exchange arising very largely from the facts that trade has not yet adjusted itself, that India has not been able to sell its products, that there is no outside demand for rupees, and consequently the sterling value of the rupee has not increased– that too is partly responsible for the heavy loss in Exchange.

Now, let us take the Budget for the coming year. In the first place; leaving the details aside, the Honourable the Finance Member has budgeted for a deficit of 2¾ crores. Now while congratulating the Honourable Member upon his courage in putting forward so highly unpopular a Budget, I must say that for my part I do not consider that we should budget for a deficit at all. I think that any deficit is a danger, a very great danger which is likely to wreck the whole of our finances and bring us completely to grief. For the benefit of some of those Members who may not be familiar with the operations of the currency I will explain that if Government's expenditure exceeds its income, there are only three ways by which the deficit can be made up Government can put into circulation a lot more of paper currency. They can borrow the money and repay the loan later, or they can allow the deficit to drag on or debase the currency in some other way. Whichever course is adopted, the tendency is to produce a rise in prices. If more currency be created, the rise in prices would certainly be most severe. A loan may tend to cause a rise in prices, but it is not so bad as adding to our currency. Most of the difficulties from which we now suffer are due to a rise in prices. A great part of the Military Budget, of the increase in the Budget—has arisen owing to the increased cost of maintenance of the Army which certainly has not arisen owing to the multiplication of the Army. That has largely arisen owing to the general advance in prices which in itself is largely the vicious outcome of financing overselves by the aid of further issues of paper currency. I think the Honourable the Finance Member himself explained that out of the 90 crores, the deficit of the last four years, about 37 crores have been obtained by the issue of fiduciary currency,– notes the only backing of which is our own I. O. U's. This, of course, is the very worst financial policy imaginable (Hear, hear), but there was no other alternative at the time. For that reason I most strongly deprecate budgeting this year for a deficit. We must, I submit, by hook or crook, make revenue and expenditure meet.

Now, the problem is, I confess, a very, very difficult one,—the problem is how to do it. The first portion of the Budget, to which I naturally look is the Expenditure side, and I ask myself how can the expenditure be cut down. Now, as a matter of fact, notwithstanding the figures quoted by my Honourable friend, Dr. Gour, as far as I am able to make out, the proposed expenditure this coming year is practically identical with the actuals of the current year. We are not budgeting for any increased expenditure at all. The military expenditure is, as a matter of fact, 4½ crores down for next year on the actuals of the current year. But we are still left asking ourselves, how can our expenditure be reduced? Now, I confess a very considerable sympathy with my Honourable friends who have complained of the magnitude of the Military Budget. Those for whom I speak are like myself convinced that the military expenditure is now greater than this country can afford (Hear, hear), and the problem we have to consider is how that item in the Budget can be reduced. Now, I cannot myself lay claim to any technical military knowledge, but I can give utterance to the conclusions of those with whom I mix and who feel that the military expenditure is heavier than we can bear. Now we look at the expenditure of pre-war days, 1912, 1913 and 1914 and we there find that the total Military Budget came to approximately, let us say, 30 crores. Now, let us admit that the prices have risen 50 per cent. Very well, if we have a military organisation of the same size as before the war, ought we not to get it for 45 crores? Even if we allow for the additional cost of inventions and new weapons of war which have come into use since the Great War. even if we make some further allowances and make 45 into 50 crores (Dr, Gour: 'No, no') (*An Honourable Member*: 'The Meston Committee fixed it at 43 crores'.) (*An Honourable Member*: 'After War recommendation is 43 crores'), surely we ought to be,—so it appears to non-military minds like mine,—surely we ought to be able to secure the same military organisation or an organisation of similar efficiency for 50 to 60 per cent. more than what we paid in 1913 and 1914. But even then, there is another consideration, and it is that which was referred to by my Honourable friend, Mr. Harchandrai Vishindas. We who have been in this country a good time remember very well that the Indian military machine was designed, first and foremost to resist an invasion from the North-West by a foreign power. The whole of the policy on the Frontier, the whole of the locations of the military machine, were designed with the object of resisting an attack by a first class power.

Now, we all feel that the danger of that attack at any rate has disappeared (Hear, hear), and we feel that there does not exist any other danger at the present moment of a similar magnitude; and it is for that reason that we cannot help feeling that the 30 crores of 1913-14 (*A Voice*: '26 crores') should not be necessary at the present day,—that 30 crores increased, let us say, to 45 or 50 crores, even that expenditure should not be necessary at the present moment. (Hear, hear.) And it is for that reason that I hope, and, I speak on behalf of a large section of the European community, that the Government of India will be able to find means for reducing this item in the Budget.

The next item upon which a considerable book loss is incurred is Exchange. But before I depart from the Military Budget, I should like to raise one further point. In looking through the Military Budget I find that the Home charges are converted apparently at 2*s*., whilst other charges are converted at 1*s*. 4*d*. in certain commercial departments. The result of entering the military charges at 2*s*. is to reduce the military expenditure by a crore and a half, so that it appears to me that the military expenditure budgeted for in the coming year is really a crore and a half greater than appears on the surface, because 1½ crores have disappeared in the Exchange account. That, I think, is a pity. I think that this Exchange account should be split up, and the losses on exchange should be carried to every department of Government to which they properly belong just as has been done in the case of Posts and Telegraphs.

With regard to Exchange, the book loss is enormous. The figures entered in the 1922-23 Budget is in the neighbourhood of ten crores. This leads me to ask if nothing can be done and if the resources of Government are exhausted in the matter of our foreign exchanges. I submit that for us to sit here with our hands folded and say that foreign exchange is a problem entirely beyond our ken and which experience has shown us we had better leave alone, would be to adopt a policy calculated to bring about a deficit of another 34 crores next year. I see nothing whatever at present to keep the rupee above the value of its sterling equivalent as metal. In other words, the rupee, if we let things slide, may quite conceivably be a shilling or 1*s*. 1*d*. next year. And then, should that occur, Heaven protect the Finance Minister who brings forward a Budget based on a shilling rupee.

Now there is one way in which this loss can be partly met, and that is by the imposition of an import duty on silver. I speak with 30 years' experience of currency matters behind me, and I confess to a feeling of amazement that Government should have neglected to take the opportunity of collecting a few crores on recent imports of silver. I am very very familiar with all the arguments that have been used for and against this duty, and I must say that my conclusion is that the duty is thoroughly sound and ought never to have been taken off. Anybody who takes the trouble to read the debate last year can see what a sorry mess was made of the whole subject. The imports of silver during the last 11 months amount to practically ten crores of tolas and I am credibly informed that there are millions sterling worth of silver on the way out now, all of which must, in the present condition of our foreign exchange, further add to the chaos in which we find ourselves. Seeing that we are faced with this deficit, and seeing that in my opinion there is no sound argument against an imposition of a duty on silver, I strongly urge that the old 4 annas rate be restored. (*Mr. Jamnadas Dwarkadas*: 'What about the Babington Smith Committee Report?') I have often read the Babington Smith Committee Report and it rightly and wisely recommended that, if possible, the duty on the precious metal should be removed, but the Committee very wisely added that this can be done only if the financial conditions of the Government of India permit. I strongly urge that this duty should be reimposed. I would go so far, in order to meet the objections of the Bombay bullion market, as to recommend that with a view to see that no injury is done to that market, Government should consider the feasibility of a drawback or bounty on export, so that if at any time it becomes necessary, in connection with the trade with China or elsewhere, or in connection with the state of the foreign exchanges, for India to export silver, then let the export receive a refund of the amount of the duty that was paid on the import of an equivalent amount. In this way the only silver which will have to pay duty, will be the silver which is actually used in the arts, and that metal, I consider, is a most suitable subject for a duty.

Now, Sir, I come to the question of the other side of the Budget—the income. I have no objection whatever to any of the taxes that are now proposed except perhaps the one on machinery. Several Members have called out loudly that certain of the taxes will fall on the poor consumer. Good Heavens! Whom do we expect these taxes to fall on except the consumer? There is no peculiarity about the excise on cotton goods. That duty, of course, will fall on

the consumer, and I may add that if it is not imposed, the money will go into the pockets of the Indian mill-owner. That is perfectly certain. I see not the slightest objection to the proposed excise duties. My friend, Sir Vithaldas Thackersey, stated yesterday that no country in the world imposes an excise duty on cotton goods (*Sir Vithaldas Thackersey*: 'On their own production.') I think that, if Sir Vithaldas Thackersey will examine the Japanese finances, he will find there is at this moment a ten per cent. duty on textiles manufactured in Japan.

**Sir Vithaldas D. Thackersey:** What is the import duty?

**Sir Montagu Webb:** I cannot tell you at the moment.

**Sir Vithaldas D. Thackersey:** It is 30 per cent.

**Sir Montagu Webb:** It may interest you to know that, according to the official information in my possession, the excise duty, that is to say, the consumption tax, as it is called in Japan, is paid *in addition to the import duty*.

**Mr. Jamnadas Dwarkadas:** But refunded when the article is exported, in order to encourage exports.

**Sir Montagu Webb:** I should raise no objection to a refund of the Indian cotton excise duty on exports, because that would be quite fair. There is an objection, however, I feel to the duties on machinery. The strong feature about the Honourable the Finance Member's proposals is that the taxes will be paid by consumers. That is right and proper.

But I think there are great objections to taxing capital and enterprise. The machinery which is imported into this country is for the most part required on capital account in the building up of new industries, and for that reason I would urge that a way should be found so that the duty on machinery should not be increased. I think at present it is 2½ per cent. (*A voice*: 'Yes.') My friend, Mr. Darcy Lindsay, suggested an expert Committee to devise new forms of taxation. (Laughter.) It is not a kind of thing that anybody would welcome, but there is no necessity, I think, to appoint an expert Committee. It is only necessary to examine the taxes levied by other countries to find other methods of taxation. I was looking last evening at the taxation in France, where I find they have a number of duties which we have not yet introduced into this country. I see that as regards the receipt stamp, for example, instead of there being one uniform rate, the stamp varies according to the amount of the receipt, so that a receipt for a big amount pays a big stamp duty. Then again there is a tax on business transactions; one per cent. I find is imposed in France, so that every business transaction that is put through, has to pay Government a tax of one per cent. Of course, it falls on the consumer in the end, but still that is another method of taxation. Then, in France, there is a taxation imposed on the use of electricity. Electricity has not yet very far developed in this country, but I daresay, even in Delhi, such a tax would yield some income. There are various other taxes too in regard to which we might draw a lesson from France if we desire to do so. Then there is the question of a Succession Duty. It has often been spoken of,—a succession duty all-round in India. I am not prepared exactly to say how it could be done, but I should like to see death duties all-round collected in this country, as they are collected in the United Kingdom.

Well, Sir, I must not further occupy the time of this House. I would like just briefly to summarise what I have said. I submit, Sir, that the Budget as it appears to-day is not the product of the iniquity or folly or extravagance of the Finance Member, but that the increased figures have been brought about very largely by the Great War,—by the increase in prices caused by the war, and by the pensions; and by the interest that we have to pay on the outstanding war and other loans. The figures are high; they are deplorably high; they are so high that I am doubtful how far the country will be able to bear them. But I see no easy way out of the difficulty, and I do not think we should be consulting our dignity or should be adding to our credit if we merely refused to vote the taxes because they are high. I think Government have heard very pointed expressions of opinion in regard to the Military Budget, which I am quite sure will yield fruit. In conclusion, Sir, I would say that the Honourable Finance Member himself draws our attention to the fact that our difficulties arise more largely from difficulties outside India than from difficulties inside India; and he concluded with the words:

> 'We must move in line with the best thinkers of the outside world in seeking the remedy; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure.'

Now I would prefer to put it the other way (Hear, hear), namely, that we must strain every nerve and every muscle to keep down our expenditure to the figure that we can bear. (Applause.) If the Honourable the Finance Member and the Government of India will take this as their motto in the year before us, I feel quite certain that this House will do all in its power to help the Government to overcome the very serious difficulties that are now before us. (Applause.)

**Mr. J. P. Cotelingam** (Nominated : Indian Christian) : Sir, in the course of the debate yesterday and to-day many compliments have been paid to the Honourable the Finance Minister, but many more missiles have been hurled at him, and there has been more heat displayed by some Honourable Members and less light thrown, upon the various questions that have come up for discussion. As has been pointed out, we are face to face with a large deficit; and this deficit is not entirely to be attributed to the way in which the finances of the country have been managed. Of course, Sir, it is a well-known law that 'the general custodians of the finances of the State are the Government; and the primary duty of the Government is to see that no policies are launched or maintained that over-tax the resources of the State. If expenditure should outrun income, the responsibility must necessarily lie with the Government.' But, as we all know, there have been many extenuating circumstances. It is the aftermath of the Great War that is responsible to a very large extent, for much of the trouble that we are in to-day. The general trade depression must account for a great deal of our financial troubles. It is the bankrupt condition, the unrelieved hopelessness in the financial position of many a country in Europe with which India has been dealing that is largely responsible. But it is a matter of congratulation to know that, although we have been brought into the whirlpool of world-financial troubles, we are able to lift up our head.

I will not, Sir, go into the question of the Exchange problem, as so many of those who preceded me have dwelt upon that subject. I need hardly remind the House that it is an international problem,—complicated, as it is, by the interaction of various circumstances. I will not therefore enter into the question of the Reverse Councils, for that matter was sufficiently dealt with when we met about this time last year, and there is no use crying over spilt milk. The most important matter in connection with the Budget which is before the House is the military expenditure. I do not think that the Assembly takes serious exception to the maintenance of the present strength of the Army, as it does to the military expenditure. I would like to know how that military expenditure can be kept down when, in the present political situation, we are confronted with foes within and foes without. No one at this critical time can think of reducing the strength of the army, or the strength of the British section of that army in its relation to the Indian. If the country was in a state of comparative peace and tranquillity, if the peace of the country had not been disturbed as it has been for some time past; and if non-co-operators, in trying to hasten the pace of the Reforms unduly, had not been carrying on a propaganda which is detrimental to the best interests of the country, I think, Sir, we should not have found it necessary to maintain the present strength of the army. But we have to do it, for we are face to face with circumstances that compel us to see to it that the strength of the army is not reduced. For, within the last few years our troops have been frequently called to help the police. If we do not maintain the army at its present strength, we shall be compelled to strengthen and to greatly increase our police everywhere, and also to maintain a reserve police force so that law-abiding citizens may be protected from molestation caused chiefly by the non-co-operator who is abroad to-day. But, Sir, I am not of the opinion that no retrenchment whatsoever can be made in the Military Budget. Yesterday more than one speaker drew pointed attention to the plague spot in military administration, namely, the Supply and Transport Department. That is not a matter of yesterday or of to-day. For many years past there has been a cry in the country against the great leakage in the Department. The country does not object to any benefit which is derived from the Department by the soldier or the sepoy; but to the unfortunate situation that it is the contractor who is most enriched by the way in which the Department is controlled. The remedy lies not simply in the exercise of a strict control, but of a very severe control, so that all leakage may be stopped.

In connection with the military expenditure, I, as well as other Members of this House, would like to know how long the Waziristan expedition is to go on and if it is the policy of the Government to occupy Waziristan permanently or is our occupation to be ended as soon as possible? There is, Sir, a silver lining to every cloud, and I hope the House will be given some assurance by His Excellency the Commander-in-Chief or the Military

Secretary that the operations to Waziristan will not be allowed to unnecessarily burden the tax payer. The expenditure on account of our Frontier Policy is the white elephant in our Military Budget.

I would now, Sir, make just a few observations, in the limited time that is at my disposal, on the recommendations made by the Finance Member with a view to meeting the deficit. The first item to which I would like to draw the attention of the House is the proposed tax on machinery. It is one that is sure to retard production and to injure the industries of the country. And as mill-owners and others who have to import a large quantity of machinery have also other taxes to pay, I for one would like to see the proposed increase in the import tax removed. If it must be raised at all, I think that the increase from 2½ per cent. to 10 per cent. is too high. It would be a great relief if it were only raised slightly, say, from 2½ to 5 per cent.

The next item is the increase of the salt duty. One Honourable Member pointed out that the salt duty should not be enhanced for the reason that the bulk of the people who use salt are vegetarians. Vegetarians or non-vegetarians, it will certainly be a hardship to raise the duty on salt. At the same time, it has to be remembered, Sir, that at one time the salt duty was much higher than what it is now proposed to impose, and at the time it was reduced it was considered that it might be necessary to raise it again if circumstances demanded such a course. I am not sure that the poor—about whom we have heard so much in this House—are so poor, that they cannot afford to find the small extra sum required of about three to four annas to meet the extra cost.

I for one should regret to see the disappearance of the quarter anna postcard and the half-anna postage stamp. Here again, Sir, we have been told that it is the poor who will be hit. I am not quite sure if it is the poor that largely contribute to our postage revenue. The Postal Department is a Commercial Department and it is bad policy to see that the Postal Department does not raise the revenue that it requires for its management and maintenance. Until last year almost all the lower officials in the Postal Department were very poorly paid. They have had heavy responsibilities thrown upon them, heavy duties to discharge, and we had the luxury of a cheap postage system, the quarter-anna postcard and the half-anna postage cover. But as the officials of all grades in the Postal Department have, like other services, had their salaries raised, so that they may be able to do their work more efficiently, the time has come when Postage revenue has got to be raised to some extent. The labouring classes have had their wages increased, not 50 per cent. only but in several cases cent per cent. The average agriculturist has also improved, for his products command a larger sale in the market than they used to at one time, and, if the labouring classes have had their wages increased and the agricultural classes get better prices for their agricultural products, there is no reason, Sir, why there should not be some increase in the revenue to be derived from the Postal Department.

I now come to the Income-tax proposals. One anna and six pies has been recommended as the tax to be levied on an income of Rs. 40,000. Here, Sir, I think there is no reason why some additional income may not be raised by a rise from Re. 0-1-6 to Re. 0-2-0 in the rupee if we remember the fact that in Great Britain the taxes on income are much higher, and I would, if the Honourable the Finance Member would agree, propose the inclusion of a few grades between incomes above Rs. 10,000. As recommended, a tax of 6 pies in the rupee is leviable on a total income rising above Rs. 5,000 and going up to . . . .

**Mr. President:** Order, order. The Honourable Member should reserve his remarks in detail till we come to the Finance Bill.

**Mr. J. P. Cotelingam:** I would ask for the inclusion of two grades in those recommended under Income-tax, so that a little more income may be made from that source.

Coming, Sir, lastly, to the question of the raising of the Railway passenger rates, I should like to point out, as several Members have done already, that it was only recently that the rates of first and second class passengers were raised, and, if it is absolutely necessary that additional income should be derived from this source, I hope, Sir, some relief may be given by the re-introduction of the old return concession tickets that we used to have. I should like the ordinary third class passenger rates stand as they are and the third class mail fare increased. If some such relief is given, the proposal to increase the Railway passenger rates may not be objected to.

**His Excellency the Commander-in-Chief:** During this debate almost all Honourable Members have criticised the military expenditure, some of

them from the point of view of policy and others from the point of view of detail. Now, later in this debate, the Army Secretary will deal with those points which refer to administrative details, and I propose myself to confine the remarks that I am about to make to the larger question of policy. I observe that some Honourable Members have changed their places and from the side position which they occupy now they have, or some of them have, delivered what they call side attack against the Army or against the Army expenditure. We in the Army usually call this a flank attack and this is often very effective. (Hear, hear.) But on this particular occasion, I propose to counter that flank attack by making a definite and direct offensive (Laughter), because I think at this juncture and especially in this House at the present time we do require a certain amount of plain straight speaking. Since I addressed this House on the subject of the Budget a year ago, I have used every possible endeavour to cut down the expenses of the Army and to reduce the Budget figure to the lowest possible limit. My efforts have been seriously hampered by unforeseen events, and instead of being able, as I hoped, to present a figure which would show a material reduction on last year's estimates, I have had to submit one that shows really no material change. Furthermore, it includes a figure, which, as the Honourable the Finance Member has already told you, can only be considered as tentative in reference to Waziristan and which may possibly have to be increased. This is, however, a matter, to which I shall again refer, but I may say now that it is under consideration. The details of the increases and decreases have already been summarized in a Memorandum which has been laid before the House and will be referred to by the Army Secretary later in this debate. But there are certain points in connection with that Memorandum which I should myself like to emphasize as much as I can.

Owing to unforeseen and to unforeseenable conditions, such as the rise in prices of food and clothing, and of other military necessities, together with a large increase in the railway charges (for it must be remembered, Sir, that the cost of all movements of troops to deal with civil disturbances or riots are at present charged against the Army vote), the economies which I would otherwise have been able to effect in the reduction of the military works programme, in the charges for our Army Headquarters Staff, and the re-organisation of artillery and cavalry, have, I am afraid, been completely swallowed up. Had it not been for these rises in prices, etc., I should have been able to show to the present Assembly a figure that would have been a considerable decrease on last year's Budget, especially in regard to the established charges. But, even as it is, notwithstanding the adverse conditions which we have been forced to meet, it has been possible to submit a total figure very nearly the same as that which was presented last year. And, in order to accomplish this, Sir, it has been necessary to postpone for another year practically all the purchases of equipment in the shape of the latest pattern guns, armoured cars, machine guns, etc., which are so urgently needed in order to bring the Indian Army up to the high standard of modern efficiency which I know the House desires, and to give to the Indian soldier, when he goes into action, every help and assistance that modern mechanical invention can provide. For I hold strongly, and I think the House will agree with me, that it is not fair to ask the sepoy to-day to go into action and to fight our battles on the frontier and elsewhere with anything less than the most up-to-date equipment (Hear, hear); but the financial stringency this year is such that I have been obliged to postpone the purchase of this expensive equipment for another twelve months. It has likewise been necessary to completely close down the building programme for new barracks, notwithstanding that, as many Honourable Members know, and some of them have seen, the barracks in which we are obliged now to ask our soldiers to live are shamefully out of repair and urgently need reconstruction. Funds, however, are not available this year to carry out such new work, and though we have retained enough money to complete such work as has already been commenced, and to carry out the maintenance of repairs, the programme of new expenditure has had to be postponed for another twelve months.

Economies have also been effected by the re-organisation of artillery, by the amalgamation of cavalry units, and by the reduction of staff, and I would add that a strong Committee of the Government of India will shortly be assembled to further examine the *personnel* of both the Headquarters and other staffs, with a view to ascertain if further reduction can be made in this direction.

I had hoped that my efforts in the direction of economy would have provided considerable reduction in the total figure of established charges of the Army, and it is therefore somewhat disappointing to find that, notwithstanding all my efforts, the Budget figure still remains at 62·18 crores.

Though I do not for one moment contend that we have reached the utmost limit of economy in the administration of the Army, I do say that no considerable reduction can be effected in future years without reducing the actual fighting strength in the shape either of regiments, battalions and air units; and for the moment, at any rate, I cannot contemplate any such reduction in the strength of the fighting army. For remember, Sir, that, compared with our pre-war army in 1914, we are at the moment some 29,000 men below establishment, including temporary shortages; and that our permanent reductions have been made on the assumption that our post-war army would be provided with all the latest developments of armaments which have come to light during the Great War, and in the mechanical contrivances to assist our troops. It is true that we have already an Air Force in being, and I should not be reluctant, if money were available, to increase that Force. But it is not possible at the present time, and we are still lamentably below our minimum of requirements in guns, in tanks, and in machine guns.

The conditions on which our previous reductions were originally based have not therefore been fulfilled, and it will be at least another twelve months before these deficiencies can be made good.

That we can make no reduction in fighting troops is therefore my definite and considered opinion at the present time. This conclusion has been forced upon me by the general state of unrest in India to-day. When I look at the internal situation at the present moment, I see, firstly, seditious propaganda being circulated broadcast amongst the population; secondly, the troops are being called out almost daily to preserve the peace and to quell disorders; thirdly, that the Moplah rising which has taken nearly six months to suppress is at least an indication of what may take place in other areas; and fourthly, that the very loyalty of our Indian soldiers is being tampered with by the seditionists, and, I am sorry to admit, not without success in some cases.

With these facts before me, is it surprising that I have come to the conclusion that no reduction of our fighting soldiers is now possible. When the internal situation is quiet, when United India can show that her loyalty and devotion to the British Empire are beyond question, and when those who ought to know better cease to stir up racial animosities, I shall be prepared to consider reductions in the Army, but not before. I should be false to the duty which I owe to this House, as well as to the Government of India, if I agree to reduce the British garrison below the point which I deem safe; and I say quite candidly that in the circumstances the British garrison in India is none too large.

The whole strength of the military forces in India was considered last summer, as you know, by the Military Requirements Committee, of which I was the President. The recommendations that we put forward are now before a Sub-Committee of the Committee of Imperial Defence in London. I had hoped that their labours would have been completed before now, but the subjects with which they have to deal are complicated and perplexing, so their deliberations have been protracted, and it will not be for some time yet that they will have reached definite conclusions.

For the present, therefore, I can only counsel patience.

Now, it might perhaps be argued that though the internal situation is no doubt giving us cause for anxiety and that in consequence we should be unwise to reduce our internal security garrisons, we now have a treaty of friendship with Afghanistan, and that, therefore, some reduction might be possible either in the field army or in the covering troops. It is quite true that a treaty of friendship has been signed with Afghanistan, though we only came to terms after prolonged negotiations lasting nearly a year. The treaty itself has only been in operation for a few months. I am in great hopes not only that the friendly relations which it secures with our Afghan neighbour will be preserved, but that, as time goes on, they may improve and even develop into closer and more intimate relationships; but it is a little early yet to base a policy of army reductions on so recent a treaty, especially as our relations with the inhabitants of the North-West Frontier have in the past not been marked by long periods of stability. It would, therefore, be manifestly unwise to base our army policy on a friendly agreement on the signature of which the ink has hardly yet had time to dry.

I will now pass on to Waziristan, which claims a large figure in the Budget and which at present, as in the past, gives us cause for considerable anxiety and doubt. In spite of the fact that in 1920 we fought our way to the heart of the Mahsud country and have been in possession of it ever since, we have so far failed to establish peace within that land of *budmashes*. We have, however, succeeded in protecting the peaceful subjects located within our own administrative border from serious raids by the Wazirs. But the

occupation of Waziristan, I admit, is costing us heavily both in casualties and in cash. The expenditure during the last 12 months has reached, as you know, over six crores, and from April to December last we have suffered 200 men killed in action, 444 died of disease, and 300 wounded. In this year's Budget it will be observed that we have taken only two crores and 13 lakhs for the expenditure in Waziristan; but I understand that in the Civil Budget some 60 lakhs has also been appropriated under this head in order to provide for the further tribal allowance and the Khassadars within the tribal area. It is hoped that, by bringing money into the pockets of the Mahsuds and maintaining a military position which will dominate Mahsud land, we may continue to protect the peaceful inhabitants of the Derajat plain from being raided by the wild hillmen from across the administrative border.

I notice that some Honourable Members have made a point that it is not advisable to continue to spend large sums of money in the pacification of Waziristan, and that it would be a more economic policy to withdraw entirely from the country and to remain within our own administrative border. I observe that practically all those Honourable Members who have put forward this suggestion come from places like Bombay, Madras, Calcutta, which are at least 1,000 miles from this turbulent area, I wonder whether, if they happened to inhabit the North-West Frontier Province themselves, they would be of the same opinion. I am inclined to doubt it. A further reference has been made by one Honourable Member who has suggested - I think he definitely stated—that this policy in Waziristan which he wrongly described as 'a forward policy' was dictated by the War Office. Now, last year, this bogey of the War Office was flying about the House, and I said then that, as your military adviser, I was working in the interests of this House and the Government of India, and that the War Office had absolutely nothing to do with the military policy on the North-West Frontier. I desire emphatically to repudiate the suggestion of the Honourable Member and I repeat what I said last year, that I as your Commander-in-Chief am the servant of this Assembly and your military adviser and that I would not tolerate the interference of the War Office in these matters.

Now, the best solution of this very difficult military problem of Waziristan is, in my opinion, to dominate the Mahsud country by military force and to construct roads through that country, for it is only by roads that we can hold the Mahsuds in check and protect our own subjects within our borders. Until we can freely move about and concentrate our forces rapidly at any point we shall always be at a disadvantage in dealing with these expert mountaineers in the guerilla warfare of which they are the past masters. Recent indications point to the acquiescence of the majority of Mahsuds in the policy that we have been pursuing, but it would be highly dangerous to count on such indications as in any way guaranteeing their future good behaviour, and it may therefore be necessary, as time goes on, to ask for a further sum of money in order securely to establish our position in this most turbulent frontier area. It would be particularly unfortunate if, at this juncture when the financial stringency is so acute we should not be able to hold out more hope of economy under this item of the Budget; but as any change would indicate in the minds of the Mahsuds the idea that we were weakening in our determination to dominate and pacify their country, it would probably force us in the end into still more costly operations, and not only in Mahsud land itself but also in the troubled area which surrounds their country. I would emphasise that the only reason that we have gone beyond our administrative border is to protect our own peaceful inhabitants. A withdrawal, such as has been suggested by certain Honourable Members, would certainly entail the exposure of our own subjects to rape, murder and all the horrors which a Mahsud can impose on peaceful inhabitants, and it is in order to protect our own people that we are there at all.

To turn now to Indianisation of the Army and the progress that has been made and is being made in the territorial force. As regards Indianisation, a scheme has been drawn up which has for its object the gradual elimination of British officers now serving in certain fighting units and replacing them by Indians. You will understand that it must necessarily be in the nature of an experiment and also that the process must be gradual for the simple reason that at present Indian officers of the required standard of education to replace these British officers do not exist and that it will take considerable time to train them and teach them their business. In the British service it takes anything from 15 to 25 years to train a British officer to command a battalion of infantry or a regiment of cavalry; and it can hardly be hoped that we shall succeed in training young Indians of to-day to be put in a position

to accept this great responsibility in a less period of time. But we are determined to make a beginning and, with this object in view, His Royal Highness the Prince of Wales is opening, on the 13th of this month, the Prince of Wales' Royal Military College at Dehra-Dun which is destined to take young Indians between the ages of 12 and 15 to train and to train them for either Sandhurst in England or later on for the Indian Sandhurst, if and when that is established in this country. The Kitchener Memorial College at New Delhi, of which His Royal Highness laid the foundation stone last month, will be wholly for the sons of Indian officers and will fulfil a similar purpose, while the King George's Schools at Jhelum, Jullundur and Bareilly will be military schools where the sons of Indian soldiers will receive anglo-vernacular education in preparation for a career that may be either civil or military. You will see, therefore, that genuine efforts are being made to enable young Indians to acquire the necessary education in order to undertake the serious responsibility which devolves on those who have to lead their comrades on the day of battle. We only hope that a sufficient number of young Indians of the right stamp and physique will come forward to take advantage of and to fill up these educational establishments; for, without an adequate supply of good material, our efforts must necessarily be in vain. The progress that has been made during the past year with the Territorial Force has on the whole been satisfactory, though it is by no means uniform. We have so far started and are in process of raising 9 battalions of infantry and pioneers and 6½ battalions of University Cadet Corps. Of the 9 battalions of infantry, only 2 of them are up to strength, and has scarcely made any progress at all and the remainder are still struggling to obtain the required number of recruits. The University Cadet Corps are only just beginning to develop; it is only a few months since their Adjutants were appointed and it is hoped that in future their progress may be more rapid; but I cannot say that up to the present their progress has been satisfactory; nor was this perhaps to be expected in view of the wave of agitation and seditious propaganda which has swept across nearly all the Universities in India during the past few years. In answer to Question No. 246 by Sir Sivaswamy Aiyer, further details of these battalions were given to the House by Sir Godfrey Fell on February 6th last. We have taken a sum in this year's estimates of Rs. 10 lakhs for the further development of the Territorial Force during the coming year and we propose, if all goes well, to raise another 10 battalions in various parts of India.

I fear that I have already detained the House too long; but there are in conclusion one or two further points to which I think it is desirable that I should refer. Under the Reform Scheme, India is marching towards Dominion status and Self-Government. From what I can see, many of our keenest politicians are not content to march with events but desire to run, and some of them who are the more ardent ones, even wish to fly in order to reach their goal more quickly. I wonder if they ever consider the part that the Army must eventually play in the development of Dominion Self-Government in India. In company with other great departments of State, the Army must eventually be Indianised, but will it ever be possible, either in the Army or in the Civil Services, to completely eliminate the British element, either in the one or in the other? I venture to think that it will be at least several generations before any such development can take place. As far as the Army is concerned, we are making a beginning; and all I desire to point out is that the process must be gradual and that, if we endeavour to go too fast, we run grave risk of making a failure of the whole venture. It is absolutely necessary to proceed cautiously and to experiment with certain selected units, so as to see that they are a success, before we proceed further. It is a highly dangerous policy to gamble with the efficiency of an Army, especially when we have a hereditary enemy sitting on our frontier and taking the deepest interest in the process of evolution through which our Army must pass, step by step.

I would add one word more. The state of India to-day is one that gives cause for serious anxiety. The ability of Government to maintain law and order throughout the wide areas of this land is being and will I fear be, put seriously to the test at no distant date. In such circumstances, I should not be fulfilling the responsibilities which rest on my shoulders as your military adviser if I agreed to any reduction in our fighting troops. That such a reduction is desirable for financial reasons, a glance at the present Budget shows beyond all question. The surest road to economy in the Military Budget lies in the creation of a peaceful and loyal and contented India. The Army is in itself the only bulwark against chaos and disorder. The price which India pays for her Army is her insurance against

anarchy and rebellion, and we all know that those who under-insure their property are in the end bound to come to grief. (Cheers.)

The Assembly then adjourned for Lunch till Fifteen Minutes past Two of the Clock.

---

The Assembly re-assembled after Lunch at Fifteen Minutes past Two of the Clock. Mr. President was in the Chair.

---

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Sir, if I did not attempt to intervene in the debate yesterday or earlier this morning, it was because I had no desire to add to what has been termed mere barren contributions in the shape of destructive criticism. The time has gone by in the new ordering of things when old world Budget-time conventionalities in the shape of moans and lamentations would be of any use. The Assembly was given several volumes of thickly printed information which has to be digested in less than a week and it has to make up its mind and bring forth what constructive proposals it may be possible to evolve in that time without any secretarial or other assistance. In that state of things, it is not remarkable that constructive proposals are few and the destructive criticisms are many. If it was a mere debating society discussion, as some suggest, public time and stationery might well be saved and speech might be economised. There is a point, however, that was brought out this morning as the result of Dr. Gour's characterisation of the excise cotton duties as a measure of placation of Lancashire which, I think, will arrest the attention of the Assembly, for it raises issues that have to be squarely faced. It was attempted to be made clear by the Honourable the Finance Member and later on by His Excellency the Commander-in-Chief that the man on the spot enjoys the entire confidence of the Home authorities and is in fact uncontrolled and supreme. We were told with some indignation that the excise cotton duties were not imposed because of a mandate from the Secretary of State or to placate Lancashire or as an election time asset. We were also told that the policy of occupation of Waziristan was not dictated by the War Office or by exploiting considerations and that the men on the spot conceived and controlled both these policies. That is interesting information which, I am sure, the Assembly will welcome, for it shows the Government of India is wholly untrammelled and therefore fully responsible for what it does or does not. That places the Assembly also, so far as the Government of India is concerned, on a more assured footing, for the Assembly can have its reckonings with the Government of India. Those who talk straight must also be prepared to hear straight talk. Our relations with the Government of India are immediate and direct, and we can have no seisin of the War Office or the Secretary of State. From that point of view, the information that casually came out this morning is of more than passing interest. But let us consider the other side of the question. The Secretary of State has on his Council several Indian Members, and one of them is an eminent expert financier who has just joined the Council. I suppose we must take it that, with regard to what has been considered as obnoxious taxation in many quarters, not only in the shape of cotton excise, the Secretary of State and his Council, consisting of several Indian Members, one of them an expert, has not had a chance of expressing an opinion. Is that right? Indian opinion entertained at considerable cost in England is thus lost in regard to most vital matters. We have no doubt in the Government of India three distinguished Indians who certainly had some part in the shaping of that policy. If the position is cleared up from certain points of view, it is made more difficult from certain others, and Indian Members of the Government of India, who are as patriotically anxious as any of us for the advancement of industrial development and curtailment of avoidable taxation and expenditure, have committed themselves to this policy. It is not without considerable and responsible Indian backing, so far as cotton excise duty is concerned, that it has been ushered in. It had no such backing in the Executive Government before, and, as we must gather, it had not the backing of the Indian Members of the Council of the Secretary of State. That is the history of that objectionable and unscientific taxation, and a very strong case for it must have been made out in the Government of India bureau most of which is not public. What is the Assembly to do under circumstances like this, specially after the failure of its strong and earnest appeal to His Excellency the Commander-in-Chief to come to its assistance with some reduction at all events of the military expenditure, so that the two points of view could be made to meet as far as possible? What is the position of affairs? We were told last year, and this year again have we been assured that the possibility of reducing military expenditure has been receiving the attention of a sub-committee of the Executive Council here, of a sub-committee of the Committee of Imperial

Defence and a Committee of the Indian Legislature and various other Committees. Everything, therefore, that could be done is said to have been done and the Commander-in-Chief is not able to hold forth any promise or hopes whatsoever in the near future of being able at all to reduce expenditure unless prices come down and certain other contingencies, which His Excellency has revised this year, come about. So far as prices are concerned, their coming down will affect the Government as well as the people alike, and will not materially affect the situation. Though Afghan and Sevres treaties have been signed, His Excellency cannot change his mind because of non-co-operation and sedition.

We are told that the army expenditure is largely increased, if not mainly, on account of the high prices of stores and of other requisites though there has been numerical decrease. The question of prices affects all alike, the tax-payers as well as those that depend upon taxes. The position is not improved, therefore, by pleading high prices as the cause of high military expenditure. We have got to take the situation as we find it, and no appeal to the Assembly with regard to exercise of common sense or sense of dignity or responsibility is likely to have much effect unless we can have the whole-hearted co-operation of the Government for reducing expenditure to some extent.

Rigid adherence to its maximum demands will not ease the situation. Four matters stand out in bold relief out of yesterday's debate and to-day's. Though there may be some slight difference in details, I think non-official opinion in the Assembly is fairly strong that all the taxation that has been demanded cannot be agreed to. Indications of means have not been wanting by which the reduction in deficit brought on by exchange may be possible and we have had some minor constructive proposals by which further revenue may be possible although Mr. Darcy Lindsay's invitation about issue of premium bonds has not been taken up as readily as he had hoped. There are directions in which the Retrenchment Committee, when it comes, ought to be able to show savings, but, if Mr. Percival's estimate about the undermanning of the Government of India and its various Departments be correct, and if corridor rumours be well founded, I am afraid it will be better to have no Retrenchment Committee at all, for it will only end in an addition of expenditure and not in reduction. It will all depend as to how the Committee is constituted and how it is worked. But, apart from that, are there not other directions in which some slight reductions in the Budget would be possible? Is it necessary, for example, that, in a year of stress like this, the whole of the railway programme, although recommended by a Committee, should be taken up? Should we not rather see whether, in the place of 30 crores, a lesser sum, say, in the neighbourhood of 15 crores, would not answer the requirements of the year in addition to the considerable sum that is spent in renewals and repairs? That would give a saving of about a crore of rupees in sinking fund and interest. A policy of hastening slowly will enable inquiring into the reasons of losses in railway management which we deplore.

Then, again, there may be a question as to whether the claims of New Delhi may not for the year, at all events, be suspended, and, although the grant comes out of capital, it is worthy of consideration if it could not be reduced for the year by say, half. These are matters about which Government might carefully consider and try to meet the views of the Assembly to a certain extent, so that the threatened certificate procedure which has been looming large in the minds of some Members may be avoided and an impossible and certainly undesirable state of things may not be brought about.

Sir, if it was a matter in which we had entirely or partially to depend upon the Secretary of State, perhaps there would be difficulty, on account of delay in recasting the Budget at this stage. But from what we gathered this morning, the Secretary of State does not dominate the position and it is open to the Members of the Government of India, as a Government, to do what they can to ease the situation and to meet the wishes of the Assembly as far as possible.

In those circumstances it appears that attention may be concentrated upon three or four cardinal points. I think there is a consensus of opinion with regard to the excise cotton duty. So is there with regard to import duties on machinery, and if the whole of that cannot be exempted, then it should be seriously considered whether, at all events, machinery required for the cotton industry and machinery already under contract may not be exempted. The question of postcards is also engaging considerable attention, and in the interests of the poorer section of those who use the needlessly losing Post Office it will be fully worthy of consideration, even if the half-anna postage is to go, whether the pice postcard could not be saved. Last of all, Sir, there is the question

of the salt tax, with regard to which some of our European friends do not see eye to eye with us. The struggle about this tax has gone on for the last 32 or 33 years, with varied degrees of vigour and vicissitudes. For reasons of a personal nature I would rather not have touched on that question, but I feel the need of expiation. Near upon a third of a century ago, it was my unpleasant duty, under other circumstances, to oppose a reduction of the salt tax because of reasons that have been fully urged by many who now favour the enhancement and which could be added to if need be. But things have considerably changed and the same consideration cannot be urged. If Government had adhered to what they then thought was necessary and right and if the people had not been accustomed to reduced taxation as the result of the prolonged struggle, to which I have referred, there might have been some sense in maintaining it. But as it happens, the reduction came, and it is only a matter of extreme urgency, as he tells us, that the Finance Member has been obliged to resort to it. That, in the present state of excitement and unrest in the country, will not be at all helpful either as a revenue measure or as a palliative measure for easing the situation and averting popular indignation. That is a factor that must not be lost sight of, and it would be very short-sighted indeed to afford reasons for further continuance of agitations that have been troubling the country for a long time past. Supposing these four items of taxation to which I have referred were objected to, and objected to effectively, it would affect the situation to the extent of about 10 or 12 crores. How to meet this? Is it absolutely necessary, I ask, that the whole of the exchange deficit in the neighbourhood of 15½ crores should be taken into account in the next year's Budget, and can it not, in accounting, be spread over more years. More or less speculative reasons which were not allowed fully to prevail on the previous occasion have influenced erring on the side of caution this year, if one may so call it. If any further portion of the deficit is to be left uncovered, probably some portion of the exchange deficit might be dealt with in this way. And, failing reduction in the Military Budget even so slightly, we shall have to fall back upon reduction in the Civil Budget in more directions than have been yet indicated. We must do all we can—Government and ourselves—between now and the passing of the Finance Bill to reduce the deficit by curtailment of expenditure and by allowing more for uncovered deficit and raising less objectionable taxes all totalling about 12 crores. And to make the rest of the demand acceptable, it is not a very large proposition, and unless a compromise like that is possible, I am afraid that the united voice of the House will not be in favour of all the taxation that has been proposed. Last year, the House was put to a severe test and to its credit a proper sense of responsibility prevailed. If this is going to be repeated and if loyal co-operation of the Assembly is not to be inordinately strained, there should be prompt and suitable guarantee for substantial reduction in some of the directions that have been indicated. In the absence of such an understanding and compromise, I am afraid of an *impasse* for which the man on the spot will be as much responsible as recalcitrant Members of the Assembly. In the interest of the Reforms, in which the Government and the Assembly must be alike interested, no early and avoidable crisis should be forced on.

**Sardar Bomanji Ardeshir Dalal** (Bombay Northern Division : Non-Muhammadan Rural) : Sir, at the outset I wish to dissociate myself very completely from the views expressed by two Honourable Members of this House that we non-officials should not take any responsibility for the Budget. This, in my opinion, is entirely inconsistent with the oath every one of us took to faithfully discharge the duties of our office as a Member of this Legislature. But there is yet a stronger ground why this Honourable House will not adopt this attitude of shirking responsibility. It is said that the present deplorable Budget is due to mistakes made by Government, and, therefore, Government should extricate themselves from the difficulties created by them. Now, Sir, we are all aspiring to Self-Government and our fitness is to be judged by the British Parliament. What better proof of our fitness can we adduce before the British public than if we can, by bringing our heads together, assist Government in getting out of this difficulty?

Sir, I also wish to protest against the taste displayed by my Honourable friend, Mr. Rangachariar, in his reference to the very generous action of His Excellency the Governor General in acceding to the wishes of this Assembly and permitting them to discuss the Military Budget. My Honourable friend said the action of the Governor General was too late. I believe my Honourable friend, as an ardent Member of the Democratic Party, is an advocate of immediate Self-Government. Well, Sir, the art of Self-Government requires foresight, forethought. Why was not my Honourable friend pre-armed to meet a fully expected contingency such as this? I think this House ought

to express its grateful appreciation of the step taken by His Excellency the Governor General.

Coming to the Budget proper, Sir, I do not know to whom to offer my congratulations most, to the Honourable the Finance Member, for manfully facing his task, or to my Honourable friend, Mr. Darcy Lindsay, for his very valuable and helpful contribution to our debate. Following his example, I do not propose to offer any detailed remarks regarding our expenditure. Though much is to be said in favour of the view put forward by Mr. Percival, we cannot disguise the fact that our expenditure has become appalling and it is necessary to apply the pruning knife freely. I trust, in the course of his reply, the Finance Member will be in a position to announce the composition of the Retrenchment Committee and that its composition will be such as to inspire confidence from all of us. In this connection, I wish to observe that, if even at this stage, Government could secure the services of an unbiassed but able man, like Sir Eric Geddes, to guide the deliberations of this Committee, I for one would welcome the expenditure incurred for that purpose as it would be well repaid as also a little delay that will be necessary for the Committee to start work.

Regarding the taxation proposals, I am more in favour of the course suggested by my Honourable friend from Calcutta and am in general agreement with the views expressed by him. The success that the non-co-operation party has achieved hitherto is due to the existence of various adverse economic causes and in my opinion it is a very unwise policy to add to the burden of the poor at the present moment. I, therefore, urge Government to consider the alternative proposals put forward by Mr. Lindsay as also the very valuable suggestion of Mr. Spence regarding the duty on tobacco. It is really regrettable that, at a time of such acute political crisis, the vexed question of the cotton excise duties has been re-opened ? Cannot the amount realisable from the extra four per cent. sought to be levied on the local mill industry be recovered by raising the duty on all imported piece-goods from countries other than the United Kingdom to say 20 per cent. That will also prevent Japan from competing with our Indian industry.

I will further support any proposal to raise the postage on newspapers. Hitherto, by far the largest benefit of this concession has been enjoyed by the seditionist press. In any case I consider it is high time the newspapers paid their proper share and the sum to be realised, I understand, will be about 16 lakhs.

My Honourable friend, Mr. Darcy Lindsay, dealt with some items of luxury. May I add one more to it ? Are all cinema films articles of luxury ? Will you not by raising the duty to 30 per cent. kill this trade altogether ? There are cinema films of great educational value and much of the blank films imported could be utilised for taking pictures for propaganda work. What is the machinery provided to exempt this stuff from this additional taxation ? But just consider what charges this industry has to bear. The municipalities have raised their taxes. One Provincial Government at least is proceeding with its Amusement Tax Bill and you are raising income-tax ; can this industry then bear this extra burden ? I think the list of luxuries needs a drastic revision. Mr. Lindsay's suggestion about premium bonds has also my hearty support.

Regarding military expenditure, Sir, I am in entire agreement with my Honourable friend, Colonel Gidney. I for one am against any reduction of the Army this year. Let us first support Government in restoring peace to our country and there will be time enough for us to consider the question of military policy. Even now railway strikes, organised by political agitators, are in full swing. Trade is paralysed and it is our supreme duty to see law and order restored. I for one strongly oppose any idea of a reduced Army until the non-co-operation movement is completely crushed. Regarding the Waziristan operations, from what I have heard from my friends who have been in that area since the Afghan war, I shall content myself with saying that these operations must be allowed to proceed whatever the cost may be. It is not a question of going forward. It is a question of creating an effective blockade against the savage tribes in order to protect our fellow-subjects in that unfortunate part of the country. I see from the newspapers that His Excellency Lord Rawlinson is sending three as a deputation of the press. Honourable Members will, therefore, obtain enough material, which I am sure will convince them that the policy adopted by the military is the only policy that could be pursued. I only wish this deputation visited the area in the month of August to obtain a real idea of what life is like during that month. I do not believe that it is a pleasure to the military to remain there, cut off from all civilisation, constantly on the vigil to repulse raids at that time of the year, particularly when in the malaria ward of the hospital—the coolest spot—at seven in the evening

the temperature is 118 degrees and where sometimes it is difficult to obtain even an ounce of ice. This question, Sir, ought to be decided by the voice of the people who are most affected. What do the people of the Frontier Province say? They want an absolutely firm hand to be given to the military and they oppose any settlement that is arranged by what are known as 'Political Department' people.

I agree entirely with Colonel Gidney that the Army Department ought to employ business people in their Supply and Transport Department. I know a beginning has been made by making over some of the canteens to a Board controlled by a very able business-man from England. I trust, however, that the Commander-in-Chief will see that in this, as in other branches of the Department, he will associate Indians trained in business and thus avail the Department of their valuable experience. In conclusion, Sir, I trust the Assembly will rise equal to the occasion and deal with the Budget in a spirit of moderation like responsible men.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars : Landholders) : Sir, I am an agriculturist and I am engaged in the work of education. To me the Budget is an extremely disappointing one, because it does not minister to the development of the material and moral resources of the country. I am sorry that my voice should have gone husky to-day, but that should not matter. I want in the first instance to point out that the constituent functions of Government have absorbed the attention of the Honourable the Finance Member. He prides himself on saying that no fresh avenues of either productive or unproductive expenditure have been opened up. No doubt, there is a large deficit to be met, but we have got to bear in mind that this deficit will be properly covered only when enough is spent on the growth of the material and moral resources of the nation. Last September at Simla we made a point of moving the Government of India to sanction and provide money for the immediate construction of the Sukkur Barrage. While the Resolution for the immediate construction of the barrage was carried, we were told by the Honourable the Finance Member that the barrage was a provincial affair, and that the Government of India would not give anything for the construction of that mighty scheme. We urged that it was not a provincial matter but a national one, and pointed out that unless enterprises such as the barrage found favour with the Central Government the country will have no means of making its revenue meet its expenditure. But to no avail. I have in my hand a statement of the National Debt of India. I find that on the 31st March, 1914, out of a total debt of 411 crores only 19 crores represented ordinary unproductive debt. The interest on the latter was only a crore, and on the productive debt about 13 crores, so that India's total interest charges then amounted to 14 crores. On the other hand, railways and irrigation works, which had been financed from the productive debt, yielded in that year a return of nearly 23 crores, which left a margin of 9 crores of clear profits to the country, after meeting the interest charges on the entire debt.

Even after the contribution of £100 millions to the cost of the war which India made in 1917, and which added over 30 per cent. to the national debt, the revenue from Railways and Irrigation amounted in the year 1918-19 to 33 crores, so that the revenue from productive expenditure amounted to 133 per cent. of the total interest charges. Had it not been for India's contribution of 150 crores to the expenses of the war, the ordinary debt would have been completely wiped out in 1917, and the amount of the ordinary debt outstanding on 31st March, 1919, namely, 129·9 crores, was thus actually less than the amount of that contribution.

In his Budget speech the Honourable the Finance Member has prided himself not only on his not going in for any further productive expenditure but on his exercising the most exacting control over the expenditure on the Administration. Some other Members in the House too have spoken of the economy practised by Government. I have at this moment in my hand a statement showing the proportion of collection charges to total tax revenues in India and England and I find that these tables show that in India the proportion of collection charges to total tax revenue is about 10 per cent., while in England it is between 2½ and 3 per cent. If this is the actual state of things, surely it cannot justly be made out that in India strict economy is being exercised. I will give just one instance to show how things really stand, and that relates to travelling allowances. I shall quote in this connection a small passage from Ramsay Macdonald, M. P., in his book 'The Awakening of India': -

'Every one knows that officers, from school inspectors to chaplains, put large sums of money into their pockets by charging travelling allowances which they never spend. I heard of a church dignitary who was attending a Diocesan Conference at the Government expense and who was to make a profit from his allowance at the end of the meetings. I

heard of a school inspector who insisted upon billeting himself in private houses whilst drawing hotel expenses. And the smiling Babu in the office knows all about it, and when you say to him 'Now tell me about T. A.' he grins a knowing grin. There is not a man in the whole service who does not know about T. A. It is referred to by its initials like a close personal friend.'

I also wrote to a friend of mine asking him to tell me how these travelling allowances were earned in Sind, and I received a letter from him which says :

'The officers so arrange their tours as to earn the largest amount of money as T. A. An officer would travel from Karachi to Sukker and come back; after some time he would go to Larkana and again come back, though he might have visited Larkana on his way back from Sukker, and so on. Ordinarily an officer gets a fixed daily allowance. But if he travels by a conveyance other than the Railway train for 20 miles or so in a day he gets a mileage allowance which means to him more than the fixed daily allowance. He therefore always tries to earn the mileage allowance even though there might be no public necessity for his putting in so much travel. Sometimes he has recourse to even a device like this. He travels 14 miles and encamps at the end of that distance; from there that same day he goes to a village 3 miles distant and comes back; he then claims mileage for he adds the 3 miles backward and forward to the original 14 to make up 20. Recently motor cars have been given to officers. It is doubtful if these have added to their efficiency, though it is clear they have added to their comfort.'

The Honourable the Finance Member estimates the deficit this year at 31¾ crores. In suggesting the means for meeting this deficit, he has said that the stabilisation of the rupee at 2*s*. would relieve our revenues to the extent of about 15 crores a year, but no reliance can be placed on this consummation. I do not know that this involves a correct view of the question of exchange. The question will have to be very carefully considered and stated by the Honourable the Finance Minister himself. The work is not to be left solely to Committees and Commissions. We all know that what the Chamberlain Commission said was in direct contradiction to the recommendations of the Fowler Committee. We also know that the recommendations of the Fowler Committee were never given full effect to. Unless the gold standard is adopted for India, I do not think that India will be able to make the heavy losses that have accrued to her from her policy of currency and exchange. I have some definite proposals to make for the consideration of the House and of the Honourable the Finance Member. Before I do so I shall give you very shortly the history of Currency in India. Before 1835, there existed in British India a bewildering variety of gold and silver coins. In 1835, the East India Company evolved order out of this chaos by establishing a uniform standard rupee of 180 grains with 165 grains of fine silver in it, *i. e.*, $\frac{11}{12}$ fine. This rupee alone was made legal tender and mints were open to coinage of rupees. India thus came to possess monometallic silver standard which lasted till the year 1893 when mints were closed to the coinage of silver. This closing of the mints was necessitated by a continuous fall in the price of silver beginning with 1873 which not only disturbed India's commerce but also made the finances of the Government difficult. The Government of India has to pay every year in London a large sum in the form of interest on the debt, salaries of officials on leave, pensions of retired officers and cost of stores required for State enterprises. As the rupee fell in its gold value, the number of rupees required to satisfy these payments rose. The total reached a pitch which seriously alarmed the Government, which felt that it might be called upon to raise a sum in rupees which would necessitate a considerable increase in taxation, which should be avoided if possible. The Government therefore in their despatch to the Secretary of State, dated June 1892, advocated the closing of the mints to silver and the introduction of the gold standard. The Secretary of State in October 1892 appointed a Committee under the chairmanship of Lord Herschell to examine the whole question. The Committee held its sittings in the India Office and made (a point worthy to be noted) no effort to secure Indian opinion on the question. In its report, it accepted the Government of India's recommendations and made the following proposals :

1. Ultimately gold standard was to be established.

2. Immediately rupee was to be severed from silver by closing mints to the free coinage of silver.

3. Government was to announce that it would give rupees and notes in exchange for gold at 16*d*. a rupee.

The report was accepted both by the Secretary of State and the Government of India and the latter took action under the Coinage Act of 1893 and administrative notifications of the same year. The essence of this reform plan was that by closing mints rupee might be divorced from falling silver and by starving the circulation the exchange of the rupee might be fixed at the 16*d*. level. For some time the rupee continued to fall, reaching the lowest level in January, 1895, 12½*d*. Then it began to rise, till in 1898 it

reached the 16*d.* level and the Government of India thought that the time had come to clinch it there. They wrote to the Secretary of State on the subject once again advocating gold standard and gold currency. The Secretary of State appointed the Fowler Committee to investigate and report. Four plans were submitted to the Committee by various witnesses :

(1) Bimetallism, (2) Silver standard as before, (3) Gold Standard without gold currency or gold exchange standard and (4) Gold standard with gold currency. The Committee rejected the first three and accepted the fourth and recommended as follows :

(1) The exchange value of the rupee should be fixed at 16*d.*

(2) British sovereign and half-sovereign should be made legal tender and current coin in India. (3) Indian mints should be thrown open to the unrestricted coinage of gold. (4) A special gold reserve should be constructed out of the profits of rupee coinage, to be used for maintaining the parity of the rupee at 16*d.*

The Government accepted these recommendations and took action in 1899 : (1) Under the Act of 1899, they declared the British sovereign legal tender side by side with the silver rupee. (2) In 1901, they constituted out of the profits of the rupee coinage the gold reserve fund which was later re-named Gold Standard Reserve. (3) They carried on negotiations with the Royal Mint for establishing gold mints in India. It has to be remembered once again that after four years of correspondence, owing to difficulties raised by the Home Treasury, the matter came to nothing in 1903. (4) Meanwhile in anticipation of the Home Treasury's sanction about the gold mint they had put into circulation gold coins through post offices and treasuries. A large portion of this gold returned to the Treasury.

The non-establishment—let it be remembered, and I draw special attention of the House to this—of mints for gold defeated the intentions of the Fowler Committee and the Government of India. The only thing for the Government now was to maintain exchange at 16*d.* par, which in the Fowler Committee's opinion was only to be a transitional measure. I shall ask the Honourable House to note that thus India drifted into the gold exchange standard. The Government of India, however, was still harbouring their desire for a genuine gold standard with gold currency, as is evidenced by the speech of Sir James Meston during the Budget debate of 1910 :

'The broad lines' says he 'of our action and our objects are clear and unmistakeable and there has been no great or fundamental sacrifice of consistency in progress towards our ideal. Since the Fowler Commission, that progress has been real and unbroken. There is still one great step forward before the ideal can be reached. We have linked India with the gold countries of the world, we have reached a gold exchange standard which we are steadily developing and improving. The next final step is a true gold currency, and that I have every hope will come in time but we cannot force it, but the final step will come in time when the country is ripe for it.'

The Chamberlain Commission, the Royal Commission of 1913, however, condemned this decision, and gave their blessings to the gold exchange standard as the soundest and the most scientific system for a country like India.

During the period 1915 to 1920, the gold exchange standard was put, as we know, to a severe test. To prevent the melting of the rupee, the Government raised the exchange value of the rupee from time to time. I have with me a statement showing how Government fixed it at 16½*d.*, then 17*d.*, then 18*d.*, then 20*d.*, then 22*d.*, then 24*d.*, then 26*d.*, and then 28*d.* In February, 1920, the price of silver rose to 85*d.*, when the exchange value of the rupee was raised to 35*d.* This frequent raising . . . .

**Mr. N. M. Joshi:** In view of the fact, Sir, that there are many people who still want to speak . . . .

**Mr. President:** Order, order. Mr. Shahani.

**Mr. S. C. Shahani:** This frequent raising of the exchange destroyed the stability of exchange which the gold exchange standard was intended to provide. The gold exchange standard thus broke down. In December, 1919, the Babington Smith Committee recommended the linking of the rupee to gold at 11·30016 grains of fine gold. The Government accepted this recommendation and made Herculean efforts to maintain the rupee at this rate till the end of June, 1920, when they tried to maintain it at 2 shillings sterling. They however failed completely although they had sold during the 8 months from February to September, 1920, Reverse Councils to the extent of 53 million pounds. This failure was the result of the influence of the silver market on the rupee a fact of which I am sorry to say the Honourable the Finance Member has taken no notice in his last year's or this year's Budget speech. While the Government were making frantic efforts to pull up the rupee to *two shillings*

*gold or sterling*, the silver market was falling and pulling the rupee downwards with it. In this tug-of-war the market triumphed, as it must, and I have a table to show it, which however I need not read out.

After July, 1920, the price of silver and with it the exchange of the rupee continued to fall.

What is the lesson then ? The lesson of this currency experience gained during this period, 1915 to 1920, is that although an effort was made by the closing of the mints in 1893 to divorce the rupee from silver, the divorce is not complete. The inherent defect of the gold exchange standard thus appears to be that it does not make us independent of silver. We closed the mints in order to avoid the serious trouble of the period of 1878 to 1893 caused by the fluctuating of exchange due to changes in silver price and we have experienced similar if not worse troubles in a concentrated form in a short period, 1915 to 1920. It is obvious, therefore, that the gold exchange standard can give us no permanent protection. This standard involves the exchange of silver and gold and therefore cannot possibly make us independent of silver. Only the true gold standard with gold currency (with notes based on gold, and the rupee a token coin) will give us that independence. Professor Keynes argues that gold in circulation is wasteful and even in England, which is supposed to have gold circulation, it is the cheque and not the gold that circulates in practice. But this argument does not apply here as a cheque to a man in the mufassil is a bit of paper with no intrinsic value, while the silver rupee has a substantial intrinsic value which is liable to change with the changing silver price in the market.

I will now state my proposals in the existing circumstances. I propose :

1. That a definite announcement of policy must be made in favour of gold standard and gold currency and all efforts must be directed towards the achievement of that end.

2. Our gold reserves having been dissipated in 1920, gold exchange standard may be continued for some time and gold allowed to accumulate again. The rate of exchange for the rupee may be fixed again at 16*d.*, for the cause (rise in the price of silver) that produced the disturbance (1915—1919) and led to the Government's fixing the exchange at two shillings has cancelled itself.

For the support of exchange it is not necessary to keep in London the entire gold standard reserve, a portion of the paper currency reserve and India's surplus balances. It is a genuine grievance of India that while her market badly wants assistance in the shape of loans in the busy season, it cannot get that assistance, while India's moneys (reserves and balances) are freely used to give loans to the London money market. It is found that India experiences an adverse balance at the most once in ten years. To keep India's surplus resources in a foreign centre to meet an occasional emergency is unjustifiable. The paper currency reserve, whose object is to ensure the convertibility of notes in India, must necessarily be located in India. A small amount of gold sufficient to pay for Reverse Councils for a fortnight or three weeks may be kept in London. The rest of the funds should be kept here in India and shipped to England in quantities required to meet the adverse balance when it arises. These funds in India would then be available for helping the Indian market.

3. In the meantime a gold mint may be opened to the coinage of gold by the public.

4. When gold accumulations are sufficiently large again, rupees may be declared tokens and our paper currency may be made convertible in gold.

5. Strenuous efforts should be made to develop banking so as to destroy the hoarding habit. Bank branches in Taluka headquarters will prove very useful.

So much about the question of exchange. I would now advert to the Military expenditure which has been eating up to a much larger extent the revenues of India. I feel that even if the Finance Member's demand for additional taxation were granted to the fullest extent, the revenue that is expected to accrue therefrom will not accrue, and for two reasons. Firstly, there is a limit to taxation. I think India is already being taxed beyond the limit of elasticity. Secondly, almost all the taxes of the Government of India are commercial. The other taxes, taxes, for instance, like land revenue or excise, or stamps, have been transferred to the provinces.

Does not the collection of commercial taxes depend upon the good-will of the peoples ? Surely it does. I was not a little surprised to see His Excellency the Commander-in-Chief making an announcement to the effect that owing to unrest in the country for a long time to come no reduction in

military expenditure is to be looked for. I have some definite considerations to urge in this connection on the attention of the House, but before I do so I will just refer to one matter. His Excellency the Commander-in-Chief has just said that the War Office in London does not, in any way dominate the military counsels of India. That may be true, but then I would like to inquire why, for instance, the recommendations of the Military Requirements Committee have, according to his own showing, been submitted to the Imperial Defence Committee, and we have no information as to what is going to happen. I now revert to the military expenditure. The colossal figures of our army estimates will be a disgrace to any self-respecting community. As I said, on account of the military expenditure the ministrant functions of the State are being neglected. Education, sanitation, irrigation, industries and agriculture are being starved. Military expenditure in India is admittedly abnormally heavy. In 1921-22, 33½ per cent. of the total expenditure, Imperial and Provincial, was accounted for by the military. If we take only the Imperial expenditure, the military item amounts to no less than 52 per cent. of the total 66 out of 127 crores. The ratio of military expenditure to total expenditure in other countries is very much lower. In 1900, in England it was 19 per cent., in France it was 19 per cent., in Japan it was 16 per cent., in Russia it was 21 per cent. and in India 33 per cent. Why should it be so heavy in India? The official justification rests upon the paramount necessity of external defence and internal order. As regards internal order the official justification involves a serious confession, for when a Government requires large military forces to maintain internal order, it must be hopelessly out of tune with public opinion and requires to be radically altered. As regards external defence, the fears of foreign aggression are greatly exaggerated. And if the Government of India is suspicious of neighbouring States, those neighbouring States themselves may well entertain suspicions, for the Government of India has been steadily extending its borders.

In any event, firstly, the burden of defence, however heavy, must fall upon the young men of the land rather than be entrusted to an army which approximates closely to a mercenary army. This description applies not only to the British troops employed by the Indian Government but also to native Indian troops, for these latter are recruited exclusively from special areas and special races, and the tradition in the Indian army is not one of defence of the homeland but one of obeying orders, so long as the troops are paid their salaries. The mass of the population, far from cultivating a healthy habit of self-defence, has been subjected to a growing policy of disarming, since the events of 1857; and the result has been a process of demartialization of one-fifth of the human race on a scale unparalleled in recorded history. In most countries, including Great Britain, Japan, France, Germany and the United States of America, young men are either encouraged or compelled to have a small period of military training, and only small standing armies are kept, and as occasion requires large armies are easily raised because there are large numbers of men available who have had military training.

In India, as Mr. H. G. Wells has put it, 'peace has been turned into paralysis.'

Secondly, the system on which India's army is organized is a most wasteful one. Pratically the whole of our army is standing force ready for war. Other countries have discarded this system and keep a small standing force and a very large number of men in the reserves. Since a man in the reserves costs so much less than a man in the standing army, these countries have found it possible to maintain a much larger combined standing and reserve force at much less than the proportionate cost. I have a list to show it.

| —— | Standing Army. | Reserve. | Military expenditure. Average annual cost. |
|---|---|---|---|
| The United Kingdom . | 129,000 | 480,000 | 28 Million Pounds, or 42 crores. |
| France . . . . . | 677,000 | 29,52,000 | 28 Million Pounds. |

(*A Voice*: 'In what year?') I have not noted the year. It must relate to the pre-war period. I have not got the post-war figure, and therefore I am not able to present comparative statements. I would request the Honourable the Finance Member to complete the comparative figures. (Laughter.) Sir, you may laugh, but you have to remember that only 4 days are allowed for the general consideration of the Budget (*A Voice*: 'Only

two days'), and who can prepare himself adequately in that short time? We have not got Secretaries as the Government Members have. One of my friend went over for certain figures, and he was told that the figures were not available. I do not bring my library here. I could not therefore be expected to give in every particular up to date information. If my information is deemed defective in any particular, figures may be produced to show what of the material which I have placed before the House for consideration is inaccurate.

Thirdly, there are large numbers of British soldiers in the Army who draw high salaries and who are constantly transferred with the result that we have to pay large transport charges. They receive high wages, their barracks cost more; and some of them are stationed in the hills during summer and their travelling expenses inside India and to and from India are enormous. The result of this arrangement is that British soldiers get their training at our expense and when they leave our shores they carry away their experience with themselves. Sir George White, a former Commander-in-Chief in India, once said:

'We maintain that the Indian army does supply a great addition of military power to England, that a part of the British army is trained at the expense of India, and that the whole of the men passed into the reserve have been maintained out of the Revenues of India.'

The British soldiers serving in India are a part of the Army of England. Their remuneration is therefore fixed by England, we having simply to pay it. The English military service is very costly compared to the service in France, German Empire and Japan. England being rich may not mind this heavy cost, but India is a poor country and it is most unfair that she should be made to pay for a scale of remuneration which suits rich England but has absolutely no relation to India's own means.

Fourthly, India's army is intended not only for India's defence but also for safeguarding the interests of the Empire in Asia. Sir Edmond Ellis, Military Member of the Viceroy's Council in the days of Lord Curzon, said:

'It is I think undoubted that the Indian Army in future must be a main factor in maintaining the balance of power in Asia. It is impossible to regard it any longer as a local militia for purely local defence and maintaining order.'

The Esher Committee has gone even further than this and says that:

'The Indian Army can no longer be regarded as a local force whose sphere of activity is limited to India and the surrounding frontier territories. It must rather be treated as part of an Imperial Army ready to serve in any part of the world.'

This extended function, I believe, is extremely undesirable, since India has no interest in foreign exploitation, since the Indian soldiers if they remained in India would be occupied in productive work, and since India, without being really the enemy of countries like Egypt and Mesopotamia incurs their ill will. I say, in view of this extended function of the Indian Army, it is at any rate fair that England and the Empire should bear a proportion of the military burden of India.

Mr. J. Ramsay Macdonald, M.P., in his book, 'The Government of India,' has said:

'A large part of the army in India—certainly one-half is an Imperial army which England requires for other than purely Indian purposes, and its cost, therefore, should be met from Imperial and not Indian funds. When England stationed troops in other parts of the Empire, England did not charge them upon the Colonies, but in India England has the influence of the dead hand. When the Company ruled it hired troops from Great Britain, and not only maintained them when in India, but paid the cost of their transport. When the Company surrendered to the Crown, the habit of 'lending' troops was kept up, as a fiction convenient to the Treasury of Great Britain. Owing to the report of the Financial Commission in 19 0, the Home Government now pays £130,000 per annum (or 19½ lakhs), which is supposed to be about one-half of the cost of transport, and £100,000 (*i.e.*, 15 lakhs) is charged to Home Treasury for half the military cost of Aden. That is all. India pays the rest. Thus India is treated as an independent State, which, however, England rules, and whose military policy England controls, while India 'borrows' from England a certain number of troops for which it pays. The arrangement is most unsatisfactory.'

In another book of his, 'Awakening of India', he says:

'There is also the old grievance about the cost of the army. In 1885, a change took place in our frontier policy, and in that year Lord Ripon left. Then began the epoch of bombastic Imperialism at the expense of India. The Finance Member of that day objected, but military expenditure was increased at a bound by sixteen lakhs of rupees per annum. The cost of annexing Upper Burma was similarly placed on Indian shoulders, and no justification ever has, or even can be, offered for it. It is unspeakably mean of England to place this burden on the Indian's back simply because he must bear any load the Englishman puts upon him. Nine-tenths of the charge of the army in India is an Imperial charge. Canada, South Africa and Australia should bear it as much as India. It is a piece of the most bitter cynicism to find the Imperial doors of the British colonies shut in the faces of these poor Indian people, who bear such an inordinate share of the cost of Imperial maintenance, and at whose expense these Dominions are protected from the fear of war. If £18,000,000 (*i.e.*, 27 crores) of the Army charges were met by the whole Empire, England might look the Indian taxpayer in the face as an honest nation. At present England cannot do so.'

It has to be admitted that England's policy towards India in the matter of military and war expenditure has been most unfair. Surely here the agency at work is man's and not God's, as the Honourable the Finance Member would seek to make out. Frontier wars and wars of annexation, like the Burmese Wars, as well as the Abyssinian Expedition, were all paid for by the Indian tax-payer. Only £5,000,000 of the £21,000,000, which the Afghan War cost, was found by the Imperial Exchequer. These expeditions are in reality events in Imperial policy and should not be an Indian charge at all. England, as has been pointed out by Mr. Gokhale, has in the past borrowed troops from India for expeditions undertaken from considerations of Imperial policy, such as the expedition to China and Persia, the Abyssinian Expedition, and others and on all these occasions all the ordinary expenses of these troops have been taken from India; England defraying their extraordinary expenses only. On the other hand, when India has had to borrow troops from England, as on the occasions of the Sind Campaign of 1846, the Punjab Campaign of 1849, and the Mutiny of 1857, every farthing of the expenses of these men, ordinary and extraordinary, including even the expenditure on their recruitment, has been recovered from India.

All these causes can easily be traced to the basic cause, *viz.*, the unnatural relation between England and India. India is a dependency and unlike the Dominions cannot compel England to treat her fairly. And England in her anxiety to keep her hold tight on this dependency has emasculated the people by depriving them of their arms and insists on keeping in India a large military force.

Reduction of military expenditure is an absolute necessity as much from the point of view of stability of Indian Finance as from that of the welfare of the people. It is obvious that unless the Government curtail military expenditure, they would be faced with bankruptcy, for the untapped margin of India's taxable capacity is extremely small. To the people the existing heavy military expenditure means practically defective sanitation and defective education, defective industry, defective irrigation and defective agriculture, which is a standing disgrace to this country and Government.

I would suggest the following reforms, which will relieve India of the crushing weight of her military burden :

(1) England should bear a portion of the burden, because the Indian army is intended to safeguard Imperial interests in Asia, as shown above in the extract from Sir Edmond Ellis' speech.

(2) The Arms Act should be repealed and a territorial army should be organised from among the citizens of India, not so gradually as has been indicated to us by His Excellency the Commander-in-Chief, but with necessary expedition.

(3) The reserve system as it exists in other civilised countries, should be adopted in India.

(4) British soldiers should be replaced by Indian soldiers.

There would be no loss in efficiency for during the War Indian soldiers gave a very good account of themselves and proved themselves to be the equals of their European comrades. It is often said that the British soldier is necessary to keep the North-West Frontier safe, but the Sikh Government of the Punjab in pre-British days did keep the North-West Frontier quite safe. It might also be said that the non-co-operators were seducing the Indian soldier; but if the appeal of the non-co-operators succeeded, the whole of the Army would have to be British, which would be financially impossible. The only way to deal with the non-co-operation movement is to redress the grievances on the existence of which it fosters itself. The piling of army upon army would not be of any avail.

Now I come to the new taxation proposed. (Laughter.) Sir, I will take only two minutes more. I endorse what has been said against the excise on piece-goods and the import duty on machinery. I would suggest the imposition of an import duty on silver and to state my grounds for it. I think that the duty will not affect currency and reserve. It will, however, bring in some revenue, the amount of which depends upon the total imports of silver. The Honourable the Finance Member can ascertain the figures of imports of silver and then see what duty will bring in a substantial revenue. Some figures were given by Sir Montagu Webb, who told us that 10 crores of tolas were imported during the last 11 months, and he also stated that a lot of silver is on its way to India. But yet the exact figures might be ascertained. The cost of collection would be practically nil as the existing customs staff

could do the collection. Bullion dealers might object to this duty on the ground that it will discourage the use of silver ornaments on the part of the poor in whose case, in the absence of organised banking, ornaments represent the only form of thrift. But I do not think it will be so. The higher value of silver will make silver ornaments more attractive.

As for the salt tax, this duty, I find, varied in different parts of India before 1882. In 1882, it was made uniform at Rs 2 per maund. In 1907, it was reduced to Re. 1. In 1906, it was raised to Rs 1¼. In 1902, with duty at Rs. 2 per maund, the revenue was 5 6 million pounds or about 75 lakhs. In 1919-20, with the duty at Rs 1¼ per maund, the revenue was not half of 5·6 – that is to say, 2·8 million pounds, but more, namely, 3·9 million pounds. This shows that the reduction in the duty led to largely increased consumption. I have not had time to get the Leprosy Commission Report, but I find the following remark in the Indian Year Book for 1921 :

'The number of lepers has fallen since 1891 from 126 to 109 thousand, a drop of more than 13 per cent. This reduction coincides with the reduction in the salt duty and consequent increased consumption'.

Passing the Land Revenue for the moment, three things strike one in this statement of revenue—the salt tax, the income-tax and the customs. The salt tax has long been regarded as a blemish on our Indian fiscal system. It is light (when it was lowest, from 1907, it stood at 1 rupee per 87⅜ lb. and meant a tax of about 3½*d*. per head per annum), but still it is no mean proportion of the income of Indian families. The Honourable the Finance Member has said that when the duty is raised to Rs. 2-8, then the incidence per head will come to As. 3½, which would not appear to be correct. The incidence then will come to about As. 7 per head. Though salt taxation was known in India before, its present history dates from the imposition of Clive and Warren Hastings when the Company was hard up. It has been retained on the ground that it is well that every Indian should feel the cost of Government. As a matter of fact, he feels nothing of the kind; he just knows that the price of his salt is high, though salt is a necessity. But supposing there was something in this notion of making everybody feel the cost of administration, it would only apply to a self-governing people who may rightly be taught the financial consequences of political acts. It requires a highly trained intelligence to decide what are the consequences of political policy and what are not, what consequences are worth bearing and what are not and so on through many other processes of accurate reasoning. We know in this country what an appeal for reduced rates and taxes generally amounts to. It is as a rule an appeal to personal selfishness and short-sightedness against a wise social policy. If the cost of Government were to be made a safeguard against folly, nations would be undone, because bills come after the events and people show less forethought in reckoning up the cost of great follies than in demanding an estimated cost of cold wisdom.

In India where the Government is a bureaucracy, even this theoretical justification for the salt tax does not exist. If the Indian salt consumer had all the wisdom necessary to come to sound conclusion upon the cost of this Government, he has no power to alter it by one farthing. The salt tax is exaction and oppression; and if the people understood it, it would breed discontent. It is a survival of the general exploitation of India's poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India, of assuming that the political wisdom of a western self-governing State is also political wisdom in an autocratically or bureaucratically governed one, and that a bureaucracy has the same right to impose burdens on a people that a representative legislature has. The payers of the salt tax have no more to say in Indian policy than the man in the moon, and price of their salt has no more influence on the bureaucracy than the cost of their weddings.

Sir, I have given expression to my opinion in some detail. I have only one remark to make and that is this. The Honourable the Finance Member finds fault with Providence for all the ills that India is suffering—

> 'Ah world as God has made it! All is Beauty,
> Knowing this is love, and Love is Duty.'

I trust that he will revolve these two lines of Robert Browning and not feel inclined to discard financial ethics.

**Mr. Denys Bray** (Foreign Secretary) : Sir, when this debate began, I started sedulously to take notes of any remarks that fell from Member after Member touching on the frontier problem. But I have decided to discard those notes. I feel that the frontier problem, the security of India, is a subject too serious for debating points, and I propose very briefly and in a spirit not at all controversial, to endeavour to give a very broad survey of it. I will not ask you to travel round all our immense frontiers. The sea, the

most vulnerable frontier of all, the British Navy enables us to forget—and so, surely, does the Budget.

The land frontier of India presents a problem which is not of to-day or yesterday, but a problem as old as the frontier hills themselves. Not until a great cataclysm of nature makes those mountains to subside and the ocean to roll where those mountains rear themselves, can India ever be free from her great land frontier problem. Indeed, when I look round this House, this microcosm of the representatives of some at any rate—of the dominant races of India, I am almost tempted to regard it as a retrospect in miniature of our frontier problem. For in the blood of how many of you does not flow the blood of ancestors who once found their way, forced their way from the heights of Central Asia to the plains of India? And this indeed brings home, I think, the essential fact that, viewed in its broadest aspects, the land frontier problem of India is a constant struggle with the forces of nature, a struggle against that law of gravity which drives whole peoples from the hills into the plains.

Descending from the general to the particular, I must still speak in generalities, for it is a dangerous thing to particularise when one comes to foreign States. But I can say this; the horizon for the moment is clear. Treaties or agreements or understandings we have with all the States on our borders. Now, the making of treaties or agreements or understandings with foreign Powers, the maintaining of treaties or agreements or understandings with foreign Powers is the very fibre of the work of a Foreign Department. I should be the last, therefore, to belittle the value of treaties or agreements or understandings. But work in the Foreign Department cannot fail to impress upon one also that agreements or treaties or understandings are not sufficient in themselves. It reminds us of the essential fluidity and change in international relations. You will remember that, on that fateful 4th of August, 1914, Great Britain had treaties or agreements or understandings with every Power in the world. You will remember that one of the greatest Powers, one of the most civilized Powers, in the world then announced to the world that a treaty was a mere scrap of paper after all. And turning to our own frontiers, we were taught the same lesson of change. During the war we had on our frontiers a most trusted ally, an ally who was most faithful to his trust. Within a few months of the close of the war, the assassin's bullet removed our ally. Our treaty was torn up, and we had to face an unprovoked invasion of India. Or take again Russia. We have heard in the debate that the Russian bogey is no more, I would just say this in passing. You cannot get rid of a menace by the mere process of calling it a bogey. Why! I remember well that in my own country in the months just preceding that fateful month of August 1914, we heard much of the German bogey. Now in 1907, there did come a great change in our relations with Russia. The Russian menace then took on a different form, for we concluded with Russia a very far-reaching agreement, an agreement based on certain very substantial sanctions. But that agreement has been torn up. Yet I am told that the Russian bogey is no more. But is it? Russia at the present moment is setting up a ferment in the Muslim States of Central Asia, Bokhara, Khiva and the rest, and who is to say where that ferment will end.

And now I will turn to the more parochial part of the frontier problem—that part of the problem which is at present uppermost in our minds, and which is leaving a very gloomy mark on the Budget. I shall endeavour to be brief, and, therefore, I must still employ generalities. But as a preface, I would just remind the House of this. You have a vast land frontier; I believe it is something like 5,000 miles long. Yet we are only discussing a few hundred miles of that frontier, and we can take credit to ourselves and India can thank her good fortune that along the great stretch of this vast land frontier of hers, our attention is actually at the present moment confined to one small portion only. On that portion the position in brief is this, and I shall have to sacrifice some accuracy in order to be brief. We have first a narrow strip of British districts. As I said a few days ago, I say again, these districts are as British as the district in which we are now sitting. Then we have a block of inhospitable mountainous country, peopled by tribesmen, brave, truculent and untamed, lying between our districts and the neighbouring power of Afghanistan. And in this fact really lies one essential reason why the frontier problem is so inherently difficult. There are these three elements—a narrow strip of British territory, a block of mountainous country and then the Afghan frontier. If only we could take one of these elements and transplant it elsewhere, our frontier problem would not be the serious problem it must always remain. These three tracts are populated by peoples akin by race and religion. The peoples in that mountainous block of unadministered territory are, I suppose, amongst the most manly in the world. They are certainly amongst the most

truculent, and I venture to think that even my friends from Malabar will agree that they are not the least fanatic, for a flame set up there spreads like wild fire. And this block forms an Alsatia for our malcontents. A murder is committed in British territory and the murderer has crossed the frontier before the murder is reported. He finds a ready asylum there, for the law of hospitality is the only law of God and man these tribesmen do not break. But the outlaw is not allowed to live a life of ease. Ere long he has to pay his way. And what means of livelihood has he? Only one. Presently he will return home—at the head of a raiding gang.

For the frontier problem, Sir, is essentially economic. If those frontier hills fed more and bred less, we should not be discussing this question to-day. As it is, raiding is the hereditary occupation of the border highlander. Eleven years ago, I conducted the census in Baluchistan and, when I went to the Mari Baluch country, I found my enumerator, a Mari Baluch himself, recording his tribesmen wholesale as having 'raiding' as their principal occupation, and it was with the greatest difficulty in the world that I got him to admit that the Mari Baluch has now turned from raiding to other occupations and has ceased to be the scourge of Sind, thanks to the genius of that great frontier administrator, Sandeman. Now our frontier problem has, of course, been greatly intensified by the Great War, and, in addition, by the Afghan War and their aftermaths. One result of the Great War is that there are vast stocks of surplus arms in the world only awaiting the unscrupulous exporter to pass on into unauthorised hands. Hundreds of these have passed through other paths than India to our tribesmen on the frontier. Moreover, the tribal armament has been increased by gains in tribal warfare, increased, alas, by desertions from our own militia during the Afghan War, increased also by the looting of a portion of the Afghan Army, and is increasing always by thefts for our frontier tribesman is the most expert rifle thief in the world, the Bedouin Arab not excepted and, lastly, and this, to my mind, is the most disquieting feature of all, their mechanics are turning out a very respectable small bore rifle themselves. This has increased the frontier problem beyond all exaggeration. And what is our proper countermove? Arm our villagers, say you at any rate, so say I. But mark the vicious circle in which we are at once whirled. The better arming of our villagers drives the frontier tribesmen into different tactics. In the old days, he used to raid in gangs of a dozen or 20. Now, he seeks security in raiding in gangs of 150, 200, or even 500; and he goes further afield and he seeks richer prey. And there is another vicious circle which this arming of the villagers unfortunately brings us into. With our hot-blooded Pathans, our hot-blooded fellow subjects of the North-West Frontier, an increase of rifles is in direct ratio to an increase in crimes of violence, and, I am afraid, so it must always remain so long as he remains, as I am afraid he is likely long to remain, a slave to the blood-feud.

Now as a result of the disquieting influences of the great war and of the Afghan war, two great tribal branches on the Frontier got entirely out of hand, the Afridis, and Mahsud and Wazir tribes of Waziristan. Raid after raid was committed upon our most luckless fellow subjects in the districts of the North-West Frontier Province and in Zhob. At one time it seemed to us as if a campaign against the Afridis was inevitable in order to regain some sort of security for our fellow subjects. But by patient and most skilful handling, clan after clan of the Afridis came to heel and made their submission; and Sir John Maffey, now one of our greatest Afridi experts, has just announced that the settlement with the Afridis, including even the most truculent and inaccessible Zakka Khels, is complete. A very fine political performance. Yet we had advantages in dealing with the Afridis that we have not got in dealing with the Mahsuds. I suppose of all our frontier tribesmen the Afridi stands highest in intelligence and, if the word is not inappropriate, in civilisation. He is, more than any other, dependent for his livelihood on British territory. He has also a tribal organisation sufficiently effective to make his tribe comparatively easy to deal with as a whole. And lastly, in our occupation of the Khyber we have a means of bringing great pressure to bear on him, for, although strategically the Khyber high way does not strike at the heart of the Afridi country, politically it does. Unfortunately, when we turn to Waziristan we have not these advantages. The Mahsud is no less brave, but, of all our tribes, he is the most barbaric. He has no tribal organisation worthy of the name at all. He has no tribal hierarchy with whom we can deal and through whom we can exercise control. That is one of the many difficulties before us, but a difficulty which, with patient and skilful handling, we hope in time to overcome. Now the Afghan War, as I said, left the Mahsuds and the Wazirs entirely out of hand. If by being out of hand I meant no more than that they defied Government, that

would have been a small matter. But go to the Frontier and ask our fellow subjects there what it means when the tribesmen of Waziristan are out of hand. I feel that I require the eloquence of Mr. Nair, whose description the other day of the sufferings in Malabar affected us all—it would require his eloquence to bring home to you what it means. One Member the other day asked where and what is this Waziristan that it should so figure in our Budget? Again I say, let him go to frontier and ask again. For perhaps no one who has not been on the frontier, and who has not come in contact with people suffering, as ours have done, from the incessant raids of these barbaric tribes can realize to the full why we were forced into this expedition. One point I want to make quite clear. We have been forced into Waziristan not by a policy of military aggression, not by any dream of a forward policy, not by any illusion of military expansion, and not by a mirage of oil or minerals to be found there. We have been driven there by one thing only, and that is the impelling necessity to ensure reasonable security for our fellow-subjects whose lives and property and honour were being placed in cruel jeopardy. (Hear, hear.) So little is this a military adventure, that I ask Members to go up to Waziristan and ask the soldier and the sepoy what they think (*Mr. N. M. Samarth*: 'The British officer also'), and the British officer too. Nothing would please them more than to be told that their duty in Waziristan was over. They are suffering inconceivable hardships, without any of the ordinary glamour of war. Guerilla warfare, such as is being waged in Waziristan, is not the warfare that our soldiers and sepoys prefer. Our policy has been dictated, I repeat, wholly and solely, by the impelling need of giving our sorely-stricken fellow-subjects on the frontier some relief from their intolerable burden. An extra burden on our fellow-subjects of the frontier there will always be, and I would ask the House to remember it. Our fellow-subjects on the frontier are shouldering, and will continue to shoulder, a great burden for India as a whole. The frontier is policing India, is enabling our merchants in Bombay and Calcutta and Madras to carry on their avocations. Yes, there will always be an extra burden on our fellow-subjects on the frontier. But there is a pitch beyond which that burden is intolerable, and that pitch has been reached. In this aspect of the Budget, Sir, I stand out for the tax-payer,—the tax-payer of the North-West Frontier Province. (Applause.)

**Mr. F. McCarthy** (Burma: European): Sir, I propose that further speeches be limited to 10 minutes. That would not, of course, include the official speakers.

**Mr. President:** The question is that, with the exception of the speeches of the Honourable the Finance Member and of the Army Secretary, speeches for the rest of the debate be limited to ten minutes.

The motion was adopted.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, if I may say so, I whole-heartedly agree with His Excellency the Commander-in-Chief that this is an occasion when there ought to be plain talk and we should use straight language.

At a time when you have discontent throughout the country and you have a Budget which has been characterised by different people in different language, it really behoves us to speak out our minds freely and fully. At a time when, according to Mr. Bray, the horizon is clear and we have treaties, agreements, and understandings with foreign Powers, it is surprising that our military expenditure has not gone down. But, be that as it may, I submit, with all the respect that is due to His Excellency the Commander-in-Chief's lofty position and distinguished achievements on the field of battle, that his speech to-day has not only been disappointing but positively hope-killing. Instead of giving us any hope of reduction in years to come, he has told us that many things have had to be postponed for 12 months. Are we to take that as an indication of the Budget which will be placed before the House by the Government of India next year? Are we to understand from that that our expenditure next year will be larger than what it is even now because many things that have been postponed will be taken up then? As regards one particular matter, I must say that I, at any rate, was deeply disappointed by what His Excellency the Commander-in-Chief said. Last year, in reference to a speech made by Colonel Gidney in regard to a guarantee for the reduction of military expenditure, he was pleased to observe:

> 'I am unable to give him this guarantee unless he assures me that the North-West Frontier problem will not break out again and force on us further warlike operations. If our agreement with Afghanistan is satisfactory',

I beg the House to mark these words:

'If our agreement with Afghanistan is satisfactory, if the treaty of Sevres is revised on lines satisfactory to us and to the Turks, if the Bolshevik menace disappears and the internal situation in India quiets down, and if the non-co-operation agitator ceases to lead astray the ignorant and gullible masses, then I shall not be only prepared for but will welcome reductions in our military strength and expenditure.'

**Mr. R. A. Spence:** What about the 'ifs'?

**Munshi Iswar Saran:** The real 'if' is 'if' you will allow me to go on. I submit, Sir, that in view of that statement made last year, no one would have been accused of having entertained extravagant hopes that, with the conclusion of the treaty with Kabul, there would be some reduction effected in our expenditure. But this year His Excellency is pleased to observe: 'Why, the ink is not dry; the treaty is so recent and still you want a reduction.' Might I ask, with all respect, which I repeat is due to His Excellency, how long are we to wait for any reduction? When will this ink be dry?

Then, Sir, as regards the Indianisation of the Army, I submit with great respect that on this point His Excellency's speech has been most disappointing. What His Excellency says is this: 'Even in England an officer takes 15 or 20 years to be trained. As an experiment, mark you, as an experiment, in regard to certain units, we are going to try this scheme and several generations will pass before you can hope for a complete Indianisation of the Army' This, Sir, may or may not be sound from the military point of view, but I wish to state from my place in this Assembly that this will not satisfy the country. (Hear, hear.) The country in its present mood will not wait for several generations before it acquires the right, the capacity, to defend itself. It was, I suppose, Froude who said that the fitness of a nation for Self-Government depends on its capacity to defend its country. It was the same principle that was laid down by the Honourable Sir William Vincent when Mr. Mazumdar brought forward his Resolution. He said 'If I were an Indian, I would urge the formation of Indian armies with Indian officers'. I repeat that demand and I say this in the presence of His Excellency that, if anybody imagines that the Indianisation of the military services in several generations will satisfy the aspiration of my countrymen, I am afraid he is sadly and grievously mistaken. Might I, though a layman, Sir, ask, why should this be regarded as an experiment? Have not our soldiers given a proof of their valour and their capacity on battle-fields? Sir, testimony has been borne to their capacity and to their fighting qualities by people in very responsible positions. Why then call it an experiment? Might I not in passing remind this House that during the war it did not take 15 or 20 years to make an officer. The answer, the obvious answer, is that it was a special occasion and there was an emergency. Then I say that there is emergency now, when the country is being impoverished and is no longer able to bear this heavy burden of military expenditure. Then, Sir, as far as His Excellency's speech is concerned, there was nothing said, or at any rate no assurance given, about the reduction of the British element in this country. May I, with your permission, cite a few facts to show how this expenditure has been rising? In 1913-14, there was the Commander-in-Chief and the Personal Staff and the expenditure was Rs. 3,16,310. In 1922-23, the expenditure is Rs. 3,21,560. In addition to that we now have a Military Secretary's Branch in 1922-23 and the expenditure is Rs. 3,46,300. In 1913-14, the General Staff Branch had 34 officers. In 1922-23, it has got 45 officers. The expenditure, in 1913-14, was Rs. 8,87,410. In 1922-23, the expenditure is Rs. 15,17,330. In 1913-14, the Adjutant-General's Branch, combined with the Medical Branch, had 17 officers, and in 1922-23, we have 30 officers. In 1913-14, the expenditure was Rs. 6,22,830. In 1922-23, the expenditure is Rs. 14,23,820. In 1913-14, the Quartermaster-General's Branch had 14 officers and in 1922-23, it has 50 officers. The expense in 1913-14 was 5 lakhs . . . .

**Mr. President:** Order, order. The Honourable Member's time is exhausted.

**Mr. Muhammad Yamin Khan** (Meerut Division: Muhammadan Rural): Sir, one cannot help admiring the Honourable the Finance Member for his ability and cleverness in introducing the Budget, and in making a very good case for a practically insolvent and bankrupt Government. We, zamindars, are well acquainted with the Court of Wards Act. We have been hearing that, if a zamindar cannot manage his property, on account of bad management, his estate was taken over by the District Officer under the management of the Court of Wards. Here, if we compare the Government of India with a zamindar who cannot manage his estate properly, not on account of minority but on account of bad management, I do not see what

can be suggested in this case. Surely, if the rules and the law applicable to the zamindars is applicable to the Government of India, then it is high time that the management of the estate should be taken over under the Court of Wards.

Now, Sir, there has been a lot of justification made by the Honourable the Finance Member for his increase of expenditure on the military side of the Budget, which comes to about three crores of rupees; but there has been an increase of expenditure of fourteen crores over the Budget altogether and no justification has been made for about eleven crores of rupees.

I could go on and repeat the things which have been so well said by most of the Members here; but I would draw the attention of the House to specific points. The Honourable the Finance Member has said in his speech that by raising the *ad valorem* duty from 11 to 15 per cent. generally, and by increasing the excise duty from 3½ to 7 per cent., he will have a total increment in the revenue of five crores and forty-five lakhs of rupees; but he has not mentioned what income he will derive separately from the excise duty. I think he would have done much better if he had proposed a general increase from 11 to 20 per cent., instead of 15 per cent., and leave the excise duty alone. That would have been a much better solution, and he would have met less opposition in the House. Of course, I endorse all the statements about the machinery, and there would be no one who has got in his heart the development of the industries of the country who would ever vote for an increase on machinery from 2½ to 10 per cent.

There is, Sir, another item, *viz.*, sugar, and the Honourable the Finance Member says that, by increasing the duty from 15 to 25 per cent., he will have an extra income of two crores of rupees. I myself fail to see how he works out these figures.

By referring to the figures which have appeared at different times, I find that in 1920-21, the total import of sugar was 147,106 tons in the first 8 months, and the price of this was Rs. 12,53,33,827. On this an *ad valorem* duty of 15 per cent. was charged. Then, Sir, in 1921-22, the total sugar which came in was 473,450 tons, the price of which was Rs. 19,88,47,784. By charging an *ad valorem* duty of 15 per cent. on this price, the total income was about Rs. 5,70,00,000 in the first 8 months of the year 1921-22. That means that the total income was about Rs 7,00,00,000 in the whole year. The prices in 1921-22, practically up to January, 1922, we find were averaging at Rs. 30 per hundredweight; and, of course, charging an *ad valorem* duty on such high prices would bring in a high revenue. But now the prices are approximately Rs. 15 per hundredweight. As the Honourable the Finance Member says that we will not import so much sugar, then it means that we shall have a lesser quantity than has been given in these figures; and, by working on these lines, I think that hardly a revenue of 4 crores will be received, while the Honourable the Finance Member hopes to get about 9 crores of rupees. So, I think, Sir, that there will be a deficit in his estimate of about 5 crores ultimately. This deficit we shall have to meet next time. I would suggest, and I think the Honourable the Finance Member would have done much better if he had suggested a duty on sugar by weight instead of by price, because prices are fluctuating and they might decrease this year too.

Passing on to the next item, Sir, on the income-tax side an increment from 14 pies to 15 pies has been suggested for those incomes which range between Rs. 30,000 and Rs. 40,000. I think this figure could have been easily taken at 16 pies, just as there has been an increment of 2 pies in the case of those incomes which go above Rs. 40,000.

I endorse all the speeches of Honourable Members of this House about salt, because the price of salt was 16 seers per rupee before the 1st March, but, as soon as an announcement was made here by the Honourable the Finance Member, salt is being sold at 8 seers per rupee to-day. This means that, not only have they charged for the increase of duty, but they have doubled the price of salt, which is a great hardship on the poor. There is one other thing. Hides and skins, raw and salted, are absolutely free and they are shown in Schedule I. They ought to have been taxed, because we have got a tax on the export of hides and skins. There is no reason shown on No. 88 in Schedule II for taxing non-plated cutlery at only 15 per cent.; it could go along with the other number, No. 128, against cutlery, and pay 30 per cent. because it is a luxury and it is no necessity for India. Machinery, No. 95, Schedule II, has been taxed at 15 per cent.; it is rather strange that machinery which is used for industries in India should be taxed so high. I think 10 per cent. is more than enough.

**Maulvi Miyan Asjad-ul-lah** (Bhagalpore Division: Muhammadan): (The Honourable Member spoke in the vernacular.*)

**Sir Frank Carter** (Bengal: European): Sir, I think I am right in saying that a distinguished predecessor of the Honourable the Finance Member once described the Indian Budget as a gamble on the Monsoon or something to that effect. I do not know how that Honourable Member would describe recent Budgets, but to the humble tax-payer they cannot but appear as huge gambles, gambles in Exchange, gambles on trade prospects, gambles on Railway earnings, and gambles on Afghan Frontier wars. Since the hostilities of the Great War ceased in 1918, we have had four Indian Budgets, including the one now under discussion. Those introduced in 1919, 1920 and 1921 were all framed to show surpluses of some description; but, as the Honourable the Finance Member mentioned in his speech on Wednesday, the actual results, so far as ascertained, have been deficits of 24 crores, 26 crores and 34 crores, respectively, or an average deficit of 28 crores per annum. Is it any wonder that the Honourable the Finance Member has at length given up in despair the attempt to balance the Budget, and has left uncovered Rs. 2¾ crores of the coming year's deficit, because I suppose he could not find anything further to tax? (Hear, hear.) I think, Sir, there is a very general impression that in recent annual statements India's financial position has not been painted in its true colours, and the pictures exhibited to the country have been in lighter and brighter tones than were actually justified or necessary. I hold the view that in times like these no good purpose is served by pretending that the position in India is better than it really is. Plain hard facts are what is required, and the sooner this country gets them the better for all concerned. However, I suppose we must recognise that Sir Malcolm Hailey always has been and always will be an optimist, and if he keeps on gambling 'in futures' long enough, he may ultimately strike a credit balance. That is, if he can meantime raise all the money necessary to carry on with. In this particular connection, I feel I must draw the attention of Honourable Members to the large amount of floating debt which this country is carrying at the present moment. I will not make comparisons with pre-war times or even with the period of the Great War, but I do feel justified in going back to March, 1919, when the first of these adverse Budgets, to which I have referred, was introduced. The Finance Member then was Sir. James (now Lord) Meston, and he considered it his duty to draw attention to the striking expansion of our paper currency. He pointed out that in March, 1915, the net circulation, excluding notes held in the Reserve Treasuries, was 55 crores; in 1917, it had risen to 82 crores; in 1918, to 98 crores; and in 1919, to about 150 crores. He went on to say that 'the creation of money and credit, especially credit which takes the form of paper money, is a pleasant process, while it lasts, but carries an inevitable sting; for every excess of paper currency has to be liquidated, and the value of money has to be reduced in accord with the needs of normal business.' Now at the end of March, 1919, we had only about 50 crores of Treasury Bills outstanding including about 6½ crores held in the Paper Currency Reserve. Even a year later, at the end of March, 1920, the amount of Treasury Bills outstanding was only 53 crores of which about 10 crores were held in the Paper Currency Reserve. Yet the Finance Member of that year, the Honourable Mr. Hailey, took the opportunity of his first Budget speech to point a moral. He said:

> 'We have been sailing very near the wind and the moral is obvious. Anything approaching 50 crores of Treasury Bill outstandings, to say nothing of the 68 crores reached in October last, is a dangerous amount of floating debt for India to carry * * * It is imperative, therefore, to reduce our floating debt to more manageable proportions.'

I will not take up more time quoting all that the Honourable Member said in this connection. It is fully reported in his Budget speech of 1920. By the end of March, 1921, the amount of Treasury Bills outstanding had risen to 105 crores of which over 61 crores were held in the Paper Currency Reserve. It is true that a portion of this increase was due to the revaluation of sterling holdings in the Paper Currency Reserve, but the fact remains that this floating debt during the year had been practically doubled. Sir, I have not quoted these figures to confirm the saying that the best-laid plans go oft astray, but with a view to impressing upon this House the great necessity there still exists for increasing revenue or cutting down expenditure. We cannot go on indefinitely on borrowed money, certainly not on floating debts, which ought to be liquidated at the earliest opportunity. We may not all approve of the exact manner in which the Honourable the Finance Member proposes to square his Budget for the coming year, but I hope we shall all agree with

*The original speech, together with a translation, will be printed in a later issue of these Debates.

the principle that the country's accounts should be squared either by raising the necessary revenue, or by reducing expenditure.

As regards the latter, I for one am not absolutely satisfied that everything has been done in this direction that can be done. Inspite of the transfer to the Provinces of branches of administration which, previous to the Reforms, had been administered by the Central Government, I notice the expenditure on civil administration has been increased instead of decreased.

Turning to the manner in which Sir Malcolm Hailey intends to raise the necessary revenue, I hope there will not be many who will take exception to the increase in railway fares. Railways must pay and even now we can travel in India at a cheaper rate than in almost any other country in the world. I do not suppose for a moment that it will stop the millions of India travelling.

Many Honourable Members have already made remarks about the raising of the salt tax. The Finance Member has told us that it means a matter of three annas extra cost per head of the population per annum; not a very serious matter even to a poor man. The salt tax in the early sixties and seventies was Rs. 3-4-0 per maund; in the late seventies and early eighties it was Rs. 2-11-0 and from 1888—1903, Rs. 2-8-0 per maund. Since then, it has been reduced with one slight increase to Re. 1, and before the Budget it was Rs. 1-4-0. If the tax had remained at Rs. 2-8-0 for the last 18 years, we should not have been in such a difficulty as we are now in. I deplore the necessity of increasing the duty on sugar as this will only raise the price to the consumer and will bolster up an already sufficiently inefficient industry to his detriment and his alone.

Then there is the raising of the duty on Machinery, Iron and Steel, and Railway material. I feel that this increase, which is a departure from the past policy of the country, requires considerable justification. So far as Machinery in particular is concerned, this question ought to be carefully inquired into before the House agrees to such a drastic increase.

The import duty on foreign oil used to be 1½ annas per imperial gallon. It is now raised to 2½ annas per gallon. Government have also imposed an excise duty of 1 anna per gallon on kerosine oil produced in India. I do not myself see why this excise duty should not be the same as the import duty on foreign oil, *viz.*, 2½ annas per gallon. Most of the oil produced in India comes from Burma and we all know that oil companies are some of the largest and richest companies in the world. Is there any reason why the oil companies of Burma should be let off so cheaply? It is not as if all the profits they make are spent in India.

Then, again, I should have liked to have seen the duties on wines and champagnes reduced, to see whether some of the lost revenue on these articles cannot be recovered.

It is all very well however to criticise, but there is no use in criticising or pleading for special consideration for individual articles unless some alternative proposal is forthcoming and the only alternative proposal which I can offer is considerably more rigid retrenchment and economy in all departments. I hope the Committee which is to be appointed will be able to make workable suggestions, but, as the Finance Member has rightly observed, the inquiry of this Committee can only extend to a matter of 20 crores. I would especially wish to draw their attention to the Public Works Department.

The position has to be faced and I think you will find that the European mercantile community will support the Finance Member's recommendations. It is recognised that India must put her financial house in order, and until this is done, we cannot look for any further material industrial improvement.

The Honourable the Finance Member has stated that our present financial position is due to the poor monsoon of 1920 (where we should have been if 1921 had been poor also I do not know), a very severe world wide depression in trade, the vagaries of exchange and labour trouble at the collieries, but he skims very lightly over what to me appears to be a very large factor in the situation, and that is the revolutionary agitation which has seriously interfered with trade and weakened our credit abroad. The depression in trade in India has been aggravated to an intense degree by the ceaseless campaign of class hatred and political agitation which has been permitted to become rampant during the last four or five years; it has involved our Imperial and Provincial Governments in large expenditure on the police; it has paralysed all our industrial undertakings, as can be seen by the losses shown in the working of the railways and has destroyed public confidence in the business world. The Government is responsible for this and until very firm steps are taken to counteract it we cannot expect to see any substantial improvement in our position. If it is not stopped forthwith, we may be faced next year, even with all this extra taxation, with a Budget as bad, if not worse, than the one with

which we are now faced. It is a very serious matter and cannot be disregarded.

Sir Malcolm Hailey admits that, owing to the short raisings of coal and the consequent purchases of foreign coal, the total excess of working expenses on the railways over the Budget estimate is 7½ crores ; in addition to this, large rail and road transport charges, abnormal internal movements of troops and stores, due to military operations in Malabar and civil disturbances in other parts of the country and also increase in railway fares amounts to 1¾ crores. Add to that the present strike on the East Indian Railway, the strike on the Assam Bengal Railway, strikes at the collieries, strikes at the cotton mills, strikes at the jute mills, the loss in business at industrial centres and extra expenses in connection with the police and internal security, the sum total cannot be much less than 15 crores of rupees. It is true that some of these expenses will be borne by the provinces, but, seeing that most of the provinces are more or less bankrupt and are demanding a reduction in the contribution towards the Imperial Exchequer, the ultimate loss will fall on India as a whole.

Honourable Members have referred to the military expenditure and we have heard His Excellency the Commander-in-Chief's explanation regarding the military expenditure. His explanation, coming as it does from one of the greatest Generals in the War, must carry weight in this Assembly. We know he is personally looking into the question of economy, and he has told us that any reduction in the military forces at the present time would be dangerous. Personally, I am very glad to have his explanation regarding the military policy. No one in the Assembly can wish that any British soldier or Indian soldier should go into battle with inadequate equipment. We cannot allow peaceful citizens to be a prey to the inroads of Mahsuds. If we cannot reduce military forces, surely, as Sir Deva Prasad Sarvadhikary has suggested, the loss on some of the larger items could be spread over two or three years.

**Beohar Raghubir Sinha** (Central Provinces : Landholders) : Sir, I have not got to blame so much the Honourable Sir Malcolm Hailey as the Government's policy which is at the bottom of the last year's or this year's Budget, which again presents with greater force the continued story of woes and lamentations and utter bankruptcy, with no hopeful signs for the better in coming years. The outpourings of national tears, which somewhat lighten the heart for the time being, are going to stop and secede, only to be taken place of by the deep-seated unutterable gloom and despair which is the greatest danger-signal for the administration.

It is the most unhappy irony of fate, Sir, that yearly increasing deficit and fresh taxations add to further unrest in the country and go on swelling the ranks of discontented people and give stronger and fresher impetus to the movement out for mending or ending the present system of Government. There is no gainsaying the fact that the situation is most critical and very grave.

I feel, Sir, that I would be disloyal to the King-Emperor and my Motherland, if I fail to bring the point to the notice of the Government prominently and emphatically. Sir, the position has been made absolutely intolerable. Let not the last straw break the camel's back. The military expenditure, many years ago, reached the highest pitch. It has left us most insolvent. It has assumed gigantic proportions and to-day stands at a higher figure than it did during the World War. When in almost every other country involved in war the tendency has been towards the reduction of expenditure and remission of taxation, in India taxes are being piled up to an unimaginable extent. It is a matter of extreme surprise that the eyes of the Government have not been sufficiently opened yet. It is still inexorable.

Exchange policy was adopted in spite of strong opposition on the part of competent people. The suggestions for the Indianisation of the Army and other Services, the creation of a large Indian Militia and Territorial Force, which were bound to curtail the Military and Civil Budget to a very great extent, and, last but not least, substantial retrenchment in different directions, have fallen on deaf ears. The custodians of India's fate have acted in the way as the Hindusthani saying goes :

*Karte hain, Karatte hain, Karneka fikr main hain'*

*viz.*, 'We are doing, shall get it done and are thinking of doing'.

Have they not, all these long years, flouted the opinions of such eminent Englishmen as Sir William Hunter, who said :

'If we are to govern the people of India efficiently and cheaply, we must govern them by means of themselves and pay for the administration at the market of native labour.'

And what is the result? In the words of the late lamented Dadabhoy Nawroji: 'Absolute material, political and intellectual drain from India'. His Excellency the Commander-in-Chief just said that Indian officers are not available who are up to the mark. Who, I ask, is responsible for this?

After more than a century and a half of British rule in India, we still remain in the position of 'hewers of wood and drawers of water', and are still incomptent for higher Military Services.

The picture presented by the financial condition of local, provincial and Imperial administrations is one of unrelieved gloom. Heavy taxations are being unceasingly imposed year after year and the poor Indian is groaning and moaning under the most costly administration in the world, which is eating into the very vitals of India.

The imposition of the salt tax has ever been condemned since the time of Messrs. Dadabhoy Nawroji and Gokhale of revered memory. I ask, will the Government gain in reputation by doubling this tax? For God's sake, let the poor people be 'left alone with a pinch of salt'. In the words of '*The Indian Daily News*' 'Let *namak* be not tampered with and let Indians remain *namak halal* (loyal)'.

You cannot brand them as *namak haram* (disloyal) but those who are actually depriving them of their pinch of *namak*. Let not the poor be hit at all. The imposition of the cotton excise duty cannot be supported, as it will increase the price of goods such as *dhotis*, etc., the price of which is already very high and which is very badly felt by the people.

The increase of the duty on the import of machinery, iron, steel and railway materials, is bound to be detrimental to the industrial development of the country. Even the '*Pioneer*' says:

'It is a retrograde step and by enhancing the cost of essentials of industrial development, it will inevitably prove an obstacle to the extension of the industries of India.'

Let not the price of the postcard be raised to 2 pice and let not matches and kerosene be taxed. These will directly hit the poor. The poor do not get of even for food and they have to depend on only kerosene for light.

I wish to draw the attention of the House to the pessimistic views of even some of the well-known Anglo-Indian papers, over the Budget.

The '*Statesman*' writes:

'It is veritably a calamity Budget. The most audacious proposal is the doubling of the salt duty. That the Military Budget should have reached its present proportions is nothing short of monstrous. It is ruinously disproportionate.'

Again it remarks:

'Military expenditure is insanely out of proportion to the revenue of this country.'

The '*Englishman*' holds:

'A review of the situation is depressing in the extreme. No silver lining anywhere. It is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent possible.'

The '*Civil and Military Gazette*' writes:

"It would feel surprised if it is not materially altered before it is done with.'

Let me say, Sir, that the public opinion is decidedly against the passing of the Budget as it stands to-day. And we, the Members of this Assembly, are placed in an absolute anomalous position. Those of us outside the Council who believe in the utter futility of the Reforms, whose number is by no means small, hold that we who have come to the Councils are not the representatives of the people. We have been feling fully conscious of our responsibility towards the Government and the people and forthwith realizing the difficulties of the Government—are we to share the responsibility of passing this Budget, against public opinion, in the face of the fact that we have no substantial powers over the finances, and thereby justify the allegations of our friends outside the Councils, and especially at this juncture when the Government have thrown us overboard by not immediately giving effect to the Resolution passed by this Assembly recommending that 'all items should be votable'.

Sir, someone in the innermost cells of my heart prompts me to say:

'Be true to God and man, shirk the responsibility which is not genuine. Do not be a party to the passing of this Budget.'

In fine, let me emphatically appeal to the advisers of the Government and the custodians of British Rule in India:

'Kindly mend the machinery before it is too late and let not end it.'

The responsibility is on their shoulders and theirs alone.

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadan Rural): Sir, I listened this morning, with a great deal of respect and very close attention, to the speech of His Excellency the Commander-in-Chief. I also listened to the remarks which fell from Mr. Denys Bray. I frankly confess that His Excellency's speech disappointed me and distressed me more than the Budget introduced by the Finance Member. It appears to me, Sir, after listening to the debate of the last two days that the remarks of His Excellency raise a definite issue before the country,—an issue of grave, momentous importance, and that issue is whether the country is going to give to the Finance Member a fresh taxation in the shape of 31 crores of rupees, or whether it will see to it that the Military Budget is also reasonably cut down from 62 crores of rupees. That is the plain issue before the country. His Excellency told us that it was not possible at the present moment to reduce the strength of the Army. He further told us that it would be generations, perhaps, before the Army is Indianised. My friend, Munshi Iswar Saran, has given a reply to that part of His Excellency's speech. His Excellency said that politicians who want to run on the path of Swaraj or to fly are entirely out of place. Those of us who are in this Assembly are at least not committed to the principle of flying on the path of Swaraj, but on the other hand let me tell His Excellency that those at any rate who are here do not want to crawl at the pace of the camel-cart of Delhi: if at all the Civil Government is to be Indianised or the military part of the Government is to be Indianised, we do not want to crawl at the lumbering pace of the camel-cart of Delhi; surely, we are here to whip up the camel into a decent trot, if not into a break-neck gallop, so far as Indianisation goes. But the question which really appeals to me is this. Is the opinion of the military authorities the final and the last word in the matter of taxation? Certainly, with all due respect to His Excellency, I say that upon this question of military expenditure his opinion ought to be final. But taken along with that question is the question of India's finances. I believe the soldier, however eminent and distinguished he may be, is not alone the person to determine what fresh taxation the country can bear. That question has to be solved both by the military and by the civil authorities. Therefore, if that is the view with which we approach this question, I say that the military policy of the Government of India cannot be dictated by any Commander-in-Chief for the time being. I say this with due respect for the distinguished soldier who now occupies that high position. That matter has to be determined by the economic condition of the people, by the taxable capacity of the country and the necessity which we have to bear in mind for future taxation. It is not only a question of raising 31 crores of rupees for the present year, because the Finance Member has told us that probably for some immeasurable time the taxation now proposed will have to be continued. Then, again, it has to be remembered that it is not only central taxation but provincial taxation which will be thrown upon the shoulders of the tax-payer. These two matters, that of the frontier military policy and of fresh taxation, have to be considered together. That is the crux of the whole position.

We were further told by His Excellency the Commander-in-Chief that, so far as the military policy here was concerned, he was not dictated to by any outside agency. I accept his word for that. In fact the Esher Committee's Report distinctly says that the Commander-in-Chief is the sole military adviser of the Viceroy. There is absolutely no doubt about that. But, Sir, the Report of the Esher Committee goes further than that and tells us that, so far as Imperial military questions are concerned, so far as the question of Imperial Defence is concerned, the principle is laid down that the military policy of the Government of India—not of the Commander-in-Chief, but of the Government of India as a whole—must be in consonance with the military policy of Imperial Defence. If that statement in the Esher Committee's Report is correct, and if the military policy of the Government of India is to be in consonance with Imperial interests, I say that either the Imperial Government must share the military burden with us or leave an absolutely free hand to the Viceroy and his advisers here to determine the military policy and the Military Budget of India.

His Excellency further told us that, though he had tried to reduce the military expenditure in all sorts of ways, it was not possible further to reduce the Military Budget. Well, I must accept his expert opinion in that respect. But, Sir, in this discussion on the Military Budget, which His Excellency has placed before us, it is still possible to place one's finger on many items and to point out by way of illustration that there in those items there is yet room for reduction. For instance, in this year of financial stringency, it is proposed to spend no less than a crore and 18 lakhs for raising and equipping a Territorial Force. Why should this particular year be chosen for this purpose? Why cannot that matter be put off for the present? Then,

in the matter of military works, no less than 40 lakhs of rupees have been set aside for certain works in Waziristan. It is proposed to spend also no less than 20 lakhs for the re-construction of certain barracks. Why cannot that expenditure be held over for some time to come. Then, again, let us examine the different allowances that are given to the British soldiers. It is surprising to find that there is a punkha-pulling and a waterman's allowance, for sprinkling water on *khuskhus tattis* and the like for ordinary soldiers; there is a marriage allowance, a family allowance, and a separation allowance. Since the country is on the high road to financial ruin, it behoves the military authorities to reconsider the whole question of these extra charges and arrive at some solution of the problem. The Finance Member has told us that we, along with all other countries, are passing through a financial crisis. But let me ask him, how are the other countries in the world solving the problem?

Look at England. How is his own country, Great Britain, how are his own countrymen, at the present moment engaged in solving the same problem? By the double method, the dual method, of cutting down *both* Military and Civil expenditure and then raising additional taxation, whereas the Finance Member here in this country is only going to have recourse to one method, *viz.*, to have additional taxation and not a single lakh of rupees is going to be cut down from the Military expenditure. That is precisely the difference between the method by which England is solving her problem and that by which India and India's Finance Member are solving that problem. Sir, as I said, we have a definite issue before us. Government wants 62 crores of rupees, not a farthing less for the Military Budget, and they want to raise 31 crores of additional taxation. Certainly we shall be reasonable, provided Government in its turn is reasonable. We have co-operated with Government. I ask, let Government at this time reciprocate that co-operation which we have given to it since last year and let them cut down from 62 crores something and then come to us for the remaining amount of additional taxation. But, Sir, if that is not the spirit on the part of Government to reciprocate our co-operation, surely it would be time for this House to consider the definite issue which has been placed before them, *viz.*, whether we are going to surrender ourselves to this additional imposition of 31 crores, mind you, not only for this year but for some years to come, and accept this burden of 62 crores simply because the military authorities in all their honest conscience think that that is the irreducible minimum required for the carrying on of the military defence. Certainly, I think it should be the duty of this House, as representatives of the tax-payer, to see that some portion at any rate of this Military Budget is cut down, in consideration of the fact that the country is passing through a grave financial crisis. Sir, only if they do that, and then come to us for the remaining amount of deficit, we shall be very glad to support them. Otherwise, I for one cannot support such a Budget.

**Mr. N. M. Joshi** (Nominated : Labour interests) : Sir, I was considering whether I should speak at this late stage or not, but one thought encouraged me. I thought to myself that it would not be wrong of me if I inflict a speech upon this House when the Finance Member was going to inflict the burden of a very heavy taxation upon the country when the country is already overburdened. Sir, the Government ought to remember that this House stands constitutionally in a very anomalous position as regards the Budget. They can vote only a very small portion of it while they are asked to assist the Government in voting for the Finance Bill. If the House defeats the Finance Bill, the course will be regarded as extraordinary. In these circumstances, it is the duty of Government to assist the House in every possible manner in order that they should be able to do their duty to the country, and for this reason it is necessary that Government not only should treat this House with courtesy but with great consideration. The Government could have very easily known that this year there would be a deficit in revenue. They had several months during which they could have appointed a Retrenchment Committee which could have reported before the Budget. But they did not do it. Then, Sir, there is another question. We all know that, if the Indian taxpayers' burden is to be lightened, it can be lightened only by curtailing the military expenditure, but the military expenditure cannot be curtailed substantially unless the Indian Army is Indianised. Unfortunately, Sir, the speech of His Excellency the Commander-in-Chief was very disappointing in this respect. The first reason that I think he gave for not being able to Indianise the Army was that at present there are internal troubles in India and he hinted that he could not depend upon the Indian Army to put down these internal disturbances.

**His Excellency the Commander-in-Chief** : I do not think I hinted at that.

**Mr. N. M. Joshi:** His Excellency mentioned that seditious propaganda was being spread in the Army and, he also said, in some cases with success. Sir, I know the loyalty of the Indian Army. I also know one other thing, that there may be some stray cases of disloyalty among the Indian soldiers. Where is the Army in the whole world which is immune from disloyalty? Is the British soldier not susceptible to the influence of Bolsheviks? He is. Then, why make use of a few stray cases of disloyalty or indiscipline in the Indian Army as a reason for not Indianising the Indian Army? (Hear, hear.) Sir, this is not a very adequate reason; for the loyalty of the Indian soldier, who not only fights the Afghan, not only has fought the German, but who, out of a sheer sense of discipline, does not mind even shooting his own countrymen when there are riots on account of political agitation, is well known. (Hear, hear.)

Is that the reward which the Government is going to give to the Indian soldier?

Sir, there is another point. Although His Excellency the Commander-in-Chief gave the internal troubles as the reason, there is another reason always at the back of the mind of the English Officers as well as of the Government, that the Indian soldier and the Indian regiments require the stiffening of the British troops. Sir, once for all let me say that this is only a fad of the Englishman that the Indian soldier and the Indian regiments require the stiffening of British regiments. I, for one, cannot accept the truth of this statement. I believe that the Indian soldier, man to man, is equal to the British soldier (Hear, hear); therefore we need not wait for generations for the substitution of the British troops by Indian troops. Sir, there is some difficulty in securing Indian Officers and the training of Indian Officers may take some years; but surely even that may not take several generations. Unfortunately, the Government is not willing to make serious efforts in that direction. His Excellency mentioned that Government is starting some schools. For what purpose? Not for training the Indian Officers for the Indian Army, but to give them some preliminary education to be trained as Indian Officers. Sir, I want to know whether in England there are schools for this preliminary education, and why are such schools necessary in India? The only reason, it seems to me, is this, that Government does not want to throw open the commissioned ranks to our people. They want to confine the commissioned ranks to a very small class of people whose loyalty is above suspicion in their eyes.

Then, Sir, there are some other remarks which I would like to make about this subject. His Excellency mentioned, as part of the scheme of Government for Indianising the Army, a Territorial Army. Now, as regards a Territorial Army, we know that Government has made certain distinctions between the Territorial Force and the Auxiliary Force. Their rights and privileges are not the same. Do they expect the educated Indian to join the Army unless he gets the same privileges as the British educated man gets I do not want to pursue the subject any longer. The only other remark that I would like to make as regards military expenditure is this, that if Government wish that this House should co-operate with them in passing the Finance Bill, Government ought to take this House into their confidence even as regards military matters, otherwise it is not possible for any Member of this House to support the Government in passing the Finance Bill. (Hear, hear.)

Sir, I should like to say only one word about the civil expenditure. Government has not made any effort to cut down expenditure in spite of the remarks made by the Honourable the Finance Member. On account of the Reforms, several Departments have been provincialized. Has the Government of India in their Secretariat reduced any staff on account of that? Is there any responsible work left for those Departments, the functions of which have been provincialized, for instance, the Departments of Education, Sanitation, Public Works, Revenue, Industries?

Then, Sir, I would like to make only one or two remarks about the taxation. The first thing is, I am entirely opposed to the salt tax, but I do not propose to speak longer on this subject, except to make one remark about what fell from my Honourable friend, Mr. Darcy Lindsay, and my Honourable friend, Mr. Cotelingam. They said, there was no objection to the salt tax, because the workers in mines get more, and the workers in factories also are getting much more than they used to do. In the first place, if their wages have not gone up, the prices have gone up; so it makes very little difference to them. In the second place, I do not object to the Government levying any tax upon people working in mines or working in factories.

Does Mr. Darcy Lindsay know how many people there are in the country who are working in mines or factories? Their number won't

be more than 2 or 3 million, or at the most, 5 million people. I do not mind your levying taxes upon these people but the salt tax is not going to fall only upon the workers in factories and mines who are getting comparatively better wages. The tax will fall upon the whole manhood of the country. The average income of the Indian, as estimated by Dadabhai Nawroji, was Rs. 27 a year. Lord Curzon went one step further and said, it was Rs. 32. I say, to-day it may be even Rs. 40; but I ask my Honourable friend, Mr. Darcy Lindsay, whether Rs. 40 a year is a sufficient income to maintain one man in flesh and bone. If it is not, then the salt tax is unjustifiable, because it falls upon every man whether he gets Rs. 15 or Rs. 20 a month, or even Rs. 40 or less a year.

Sir, I should like to ask Government, when they frame their taxation proposals, what is the test, what is the criterion, on which they base their taxation proposals? The Honourable the Finance Member seemed to say that he wanted to levy such taxes as would fall upon the people equally. Somebody said the taxation proposals hit rich and poor equally. Is that the object of the Government, that their taxation proposals should hit the people equally without any regard to their ability to pay? If the basis of taxation is not to be that, it should fall equally upon people, the only other basis possible is that they should fall upon people according to their ability to pay. If you judge the present taxation proposals of Government in that light, I think they have not taken this point into their consideration.

**Sir Godfrey Fell** (Army Secretary): Sir, I propose to reply as briefly as possible to some of the criticisms which have been levelled, in the course of the discussion yesterday and to-day, against the scale of military expenditure which the Government of India have found themselves compelled to adopt for 1922-23. Those criticisms are various and detailed, but they all reflect the objections, the very natural objections, of Honourable Members of this Assembly, to the high scale of military expenditure, and their desire to reduce it. But, before I deal with any other criticisms, I wish, Sir, to take this immediate opportunity of correcting a most dangerous misapprehension which has been revealed by the remarks of my Honourable friend, Mr. Joshi, on the subject of His Excellency the Commander-in-Chief's remarks this morning about the Indian Army. On that subject, on his interpretation of what fell from Lord Rawlinson, Mr. Joshi has built up a monstrous charge against His Excellency the Commander-in-Chief of not trusting the Indian Army. I have only to mention that charge to this Assembly, for it to realise how utterly untrue it is. His Excellency made no such statement. What he said was: 'I see signs of grievous unrest in India to-day'. He proceeded to detail the symptoms of that unrest, and, in connection with it, he mentioned attempts to tamper with the loyalty of troops. I wish to give the earliest possible denial to any suggestion that His Excellency the Commander-in-Chief or any of the high military authorities in India are actuated by any spirit of distrust of our splendid Indian Army. (Hear, hear.)

Now, Sir, to turn to a few of the detailed requests for information and criticisms. Mr. Seshagiri Ayyar asked for an explanation of the statement which was recently made by Sir Robert Horne in the House of Commons, as telegraphed out by Reuter. I think it is only natural that he should ask for information on this point, because the first message which we received gave food for anxious thought to any one who is interested in our military and financial situation in India. The impression which Reuter's message appears to have conveyed to my Honourable friend was something like this: that the Geddes Committee had recommended the reduction of 7,000 British troops in India, but that the Government of India, owing to a vacillation in their policy, had at the last moment refused. Now, Sir, there is not one word of truth in that suggestion. The whole of the statement attributed to Sir Robert Horne was based upon a misapprehension of facts, a misapprehension of what has been done in India. It was corrected the next day by Sir Robert Horne himself in reply to a question in the House of Commons. The actual facts are these, that the reduction about which this misapprehension arose has been carried out some three years ago; that is the very figure of 7,000 men. The facts are that the combatant strength of British troops before the war was 72,882, in 1922-23, it is 66,012; and, in the same period, there has been a reduction in the strength of British officers from 4,790 to 4,352.

Next, Sir, Colonel Gidney complained that the movements of troops were made regardless of economy. It was inevitable that there should be large movements of troops during the war and in the period succeeding the war; and I am afraid that we shall not get the expenditure under this head down to the lowest possible limit until our frontier operations are over and all our troops have returned to their peace stations. Another cause of heavy expenditure in

this direction is, of course, the movement of troops to deal with civil disorders. I can, however, assure the Assembly that His Excellency the Commander-in-Chief is doing everything in his power to keep the expenditure down to the very lowest possible limit. I have only to-day seen some orders of His Excellency on the subject, putting a stop to the practice by which cavalry regiments take their horses with them on transfer or relief, and guns and heavy equipment are also moved. He proposes to substitute for it a procedure under which the relieving unit will take over the horses and equipment. Also the programme of reliefs will in future be fixed in advance and will be rigidly adhered to.

Another point which Colonel Gidney made was this: he complained that we spent Rs. 7¾ crores in purchase of stores from England, and that it would be much better in every way if we bought them all in this country. I think that my Honourable friend has made a slight mistake here in his figures. The total bill for stores from England is only £2½ millions; and it is mostly made up of mechanical transport and ordnance stores, which cannot unfortunately be procured in this country.

Then, Sir, Mr. Harchandrai Vishindas, in that part of his very interesting speech in which he professed to offer constructive rather than destructive criticism, referred to the amalgamation of the British Army in India with the Indian Army after the mutiny. No doubt, owing to lack of time, he did not proceed to develop his argument and to say in what way a reversal of that policy would result in the economy which we all so much desire. I think the answer to this suggestion is this: that, assuming that we require British troops for the defence of this country, we shall not secure any economy by departing from our present system under which we borrow our troops from the United Kingdom.

We could not get men to enlist for duty solely in India at the same rate that we can get men, or rather the War Office can get men for service partly at Home and partly in India. Then, again, we should have to give the private soldier, if he was enlisted for continuous Indian service, so to speak, very liberal leave to England and pay his passage and expenses. That would mean heavy transport charges. Then we should have to pay increased pay and pension charges for the officers of a localised European force. That is to say, we should have to pay them at least the same rates as the officers of the Indian Army are paid, and not the present rates drawn by British service officers. I think the Indian tax-payer may rest assured that the War Office does not pay more than the market rate for its soldiers; and that, if we were to attempt direct recruitment, we should have to set up an elaborate and expensive machinery at Home for recruiting and training them, and the men so recruited and trained in England, when landed in this country, would be much more expensive than they are now.

Mr. Samarth wished to know how much the Government of India received on account of Indian troops employed by His Majesty's Government overseas. I can give him the answer in a very few words. They receive punctually and regularly the whole of the charges connected with the employment of those troops.

Then, Sir, he went on to speak about the Military Requirements Committee and the Committee of Imperial Defence, and he asked who represented the Government of India on the Committee of Imperial Defence. The answer is that the Secretary of State for India represented the Government of India on that Committee.

He then went on to ask whether the recommendations which were made to that Committee by Sir Claud Jacob were made on behalf of the Government of India, or whether they were made by him over the head of the Viceroy and the Government of India. Sir, I am very glad that my Honourable friend has asked that question, as he has thereby given me an opportunity to state the facts to the Assembly. The facts are these. General Sir Claud Jacob, the Chief of the General Staff, was compelled to go to England last September for reasons of health. The Secretary of State took the opportunity of his presence in England to take him with him to the meetings of the sub-committee of the Committee of Imperial Defence as his Military Adviser, in the place of General Cobbe, the Military Secretary at the India Office, who also at that time unfortunately was ill. Sir Claud Jacob was not a member of the Committee, and, for I have asked him about this point to-day, he was not allowed to speak before the Committee. He was only allowed to answer questions on points of fact which were asked him, and, on the one or two occasions when the Committee asked him for his opinions, he was careful to preface his remarks by saying that he had no authority to speak on behalf of the Government of India nor on behalf of the Commander-in-Chief, and that the opinions that he expressed were his own personal opinions, based on

his own knowledge of India and Indian conditions and of the frontier. The suggestion that Sir Claud Jacob posed as the representative of the Government of India before the Committee of Imperial Defence is, therefore, wholly without foundation.

Dr. Gour took exception to the suggestion that military policy is a matter for the Commander-in-Chief, and Mr. Kamat said very much the same thing. Dr. Gour said that it was for the Government of India to decide the military policy, and that it was the duty of the Commander-in-Chief and his officers to carry it out. Well, Sir, that is precisely the position which exists to-day, as indeed it has always existed. The Commander-in-Chief, as this Assembly is surely aware, cannot dictate the military policy of the Government of India. He can only advise the Government of India, and it is his duty to do so. It is for the Government of India as a whole to accept or to reject that advice, as they think fit.

Sir Montagu Webb gave us some calculations, based upon the pre-war cost of the Army and the rise in prices since the pre-war period, and from then he deduced a theory that we ought to run what used to be a 30 crores army for 45 or 50 crores. Well, Sir, it may seem that there is something in that argument at first sight; but I must remind him that, since the pre-war period, new expenditure has been incurred in various directions, for instance, the pay of the sepoy has been increased, and we now feed him in peace-time in cantonments as well as in the field.

Then, again, Sir Montagu Webb based his calculations on an increase of 50 per cent. in prices in India. I must remind him that all our charges are not in this country, and that much of our expenditure is unfortunately incurred at Home. Also the additional heavy cost of British troops reflects the rise in the cost of living in the United Kingdom.

Mr. Shahani, in the course of the few remarks which he was able to crowd into that all too brief twenty minutes, questioned the statement made by His Excellency the Commander-in-Chief, in the course of his speech this morning, that he is not under the domination of the War Office and he adduced, in proof of his assertion, the fact that the report of the Military Requirements Committee had to go before the Committee of Imperial Defence. Let me tell Mr. Shahani that the Committee of Imperial Defence has no more to do with the War Office than it has with this Assembly. It is a Committee appointed by the Prime Minister and has no connection whatever with the War Office.

The question, Sir, to which as practical men we now have to address ourselves is this. Can we cut down the Military Budget for 1922-23? That is really the main issue which is before the Assembly. It is, of course, obvious that the principal factor which governs the Military Budget must be the strength and organization of the Army. The Assembly has had the advantage of hearing on this subject the views of His Excellency the Commander-in Chief to-day. He, as the supreme military adviser of the Government of India, has stated as his definite and considered opinion that we can make no reduction in the fighting troops at the present time. I feel sure that there is no one among us laymen in this Assembly who will question the opinion of such a high authority as Lord Rawlinson, the more so in that Lord Rawlinson has shown ample proof, since he has held his high office, of his desire to effect economies wherever they are possible. I am sure that the Honourable the Finance Member will agree that this is the case. He has indeed, this year, postponed, as he has told you, many urgent schemes in order to try to meet, so far as it lies in his power, the very difficult financial situation of the Government of India. It would be impertinent for me to add anything to what His Excellency the Commander-in-Chief has said on these questions of high policy.

But what I want to deal with is this, whether, given an Army of this size and strength, the people of India are getting full value for the money which is spent on it; in other words, whether that Army is administered with due regard to economy. It is obvious to the Assembly that there are many directions in which the scale of expenditure cannot be reduced. The men must be paid the rates at which they were recruited, they must be clothed, they must be housed, they must be fed, they must be taught their profession, trained in musketry, drilled, disciplined and the rest. I gather, however, from some of the speeches which have been made to-day, as well as on a previous occasion, that there is an impression abroad that more economical arrangements could and should be made in the matter of contracts for large purchases in connection with the Army. I need hardly say that the Government of India welcome any constructive criticism which can be offered on this subject. But I think it might be as well if I said a little about the methods employed in connection with these contracts; and this is all the more desirable because, in the course of the debate on retrenchment on the 3rd February, I think it was—Mr. Samarth inquired whether we were getting our money's worth in all respects.

He instanced the large amount of money which is spent on supplies and contracts and transport. He asked for a Committee of this House to inquire into the whole procedure of the Controller of Contracts. He wanted to know how many contracts he had entered into in regard to wheat, sugar and tea; and whether, at the time the rates were sanctioned by him, they were higher or not than the rates which obtained in the open market. He asked whether we were getting our money's worth, or whether we were spending the money as if it were nobody's money in particular and could be spent anyhow. My Honourable friend, Sir Frank Carter, associated himself with Mr. Samarth's remarks on this subject, especially as regards the contracts for sugar, about which he claimed to know something.

Again, speaking in this Assembly yesterday Mr. Harchandrai stated that there was no proper supervision over contracts, and I understood him to say—he will correct me if I am wrong—that in the opinion of many people in this country, where the civil authorities pay one rupee for an article, the military authorities habitually pay five rupees. Colonel Gidney expressed his misgivings about our supply and transport arrangements, and said that large purchasing contracts should be controlled by expert business men, and not by soldiers who have gained their experience at the expense of the Army and of the tax-payer. (Hear, hear.) I hope to make it clear to the Assembly that these purchases are now made with a due regard to the interests of the tax-payer; and I will also take this opportunity of reminding this Assembly, with reference to Colonel Gidney's suggestion, that it was only a year ago that they unhesitatingly rejected a proposal to transfer the whole of the contract and supply arrangements of the Army to a civil department of supply.

Now, the largest of these contracts obviously is that relating to wheat and other grains. What are the facts? Before the war and during the early period of the war, these purchases, and purchases of other commodities to which I shall presently allude, were made either by one division to meet the needs of a group of two or three divisions, or by each division for its own requirements. There were many objections to this arrangement. It did not give a wide enough field for tender; it meant purchasing in watertight compartments, and it undoubtedly led to the formation of contractors' rings, which forced up the prices against the officers who were purchasing on behalf of Government. Consequently, in 1918, an organisation was set up at Army Headquarters under a Controller of Contracts; the first Controller of Contracts, as this Assembly knows, was a distinguished business man, Sir Hugh Bray. In connection with these grain purchases, Sir Hugh Bray decided that it would be necessary to entrust the purchases to a single agency which had an organisation covering all possible fields of supply in India; and he decided, and the Government of India agreed, that at that time the only firm in India which was really capable of undertaking this work on so large a scale was Messrs. Ralli Brothers. The arrangement was referred for the advice of the Presidents of the Calcutta and Bombay Chambers of Commerce, who both said that, in their opinion, it was the best that could be devised in the circumstances. The arrangement was reconsidered in June 1919 and a revised agreement made. One advantage that I should mention in connection with the appointment of Messrs. Ralli Brothers was that they were also the buying agency to the Royal Commission on Wheat Supply; and their selection for this work thus eliminated all danger of competition between the Military Authorities in India and the Royal Commission. The agreement, however, with Ralli Brothers will now be terminated, and it has been decided to call for open tenders. One reason for this is that prices are no longer controlled in India, and another is that our requirements have been considerably reduced. The Chambers of Commerce are being consulted as to what firms are likely to be able to take up this business, and a new purchasing arrangement will shortly be entered into. I should, however, like to add that, on a review of the purchases for the nine months from January to September, 1921, I find that the prices paid by Rallis were in most cases below the prevailing rates in the locality in which the purchases were made; and that on three articles, wheat, barley, and gram, the prices paid by Rallis show during this period a saving of more than 7 lakhs over the then prevailing market rate. I do not think that this has been at all an unsatisfactory arrangement on behalf of Government.

I turn now to sugar, to which my Honourable friend, Sir Frank Carter, rather pointedly referred in the debate the other day. The purchase of this article was also taken over by the Controller of Contracts in 1918. Most of the purchases were Java sugar, and were made through Ralli Brothers. However, towards the end of 1919, there was an acute shortage of sugar throughout the world, which lasted for a great part of 1920; and the price in India rose by over 100 per cent. Consequently the

Controller of Contracts decided to consult the members of the Sugar Committee, which was then in Simla, and of which, I need hardly remind the Assembly, Sir Frank Carter was a distinguished member and, on the advice of that Committee, it was decided to purchase a large quantity of sugar for forward delivery extending over some months. Purchases were made from five firms, amounting in all to rather over 7,000 tons, at rates varying from Rs. 32·8 to 41·96 per 100 lbs. During the same period other purchases were made at Rs. 39·27 and 30·35 per 100 lbs. It is perfectly true that the subsequent trend of prices in the sugar trade has shown that it would have been much more economical if we had only purchased then sufficient to meet our immediate requirements. But it was impossible at the time to foresee the subsequent phenomenal fall in prices; and it was considered advisable to have a stock in hand or in sight sufficient to meet the requirements of the Army during the acute period of sugar shortage that was then anticipated. To this extent the Government made a bad bargain, but I submit that it was made on the advice of a body of men who were peculiarly competent to advise. In fact, they were a body such as we are so often asked to appoint in this Assembly—a Committee of officials and non-officials, with a non-official majority. Well, Sir, these sugar purchases lasted till October last, and, since then, further orders have been placed for 2,000 tons, at rates varying from Rs. 15-2-6 per cwt. to Rs. 16-11-3 per cwt. The market rates during that period varied from Rs. 15-2-8, which is higher than our minimum, to Rs. 16-14-6, which is again higher than our maximum. I do not think that any one can take exception to the recent contracts which we have made for sugar.

I now turn to another commodity of which large purchases are made on account of the Army, and that is tea. Here the arrangements were unsatisfactory in the past. The supply was a virtual monopoly of a few estates in the neighbourhood of Dehra Dun. These estates numbered no more than 20, whereas the number of tea firms dependent on the Calcutta market was over 500. It was, therefore, decided in 1919, after consultation with those best qualified to advise, to do away with our then existing arrangement and to purchase our tea requirements through a large firm in Calcutta on a commission basis; the actual commission paid was $\frac{3}{4}$ pie per lb. purchased. The agreement was reviewed in 1919; the Bengal Chamber of Commerce were asked to furnish the Controller of Contracts, with a list of reliable tea firms, and tenders were called for. Again in 1921 tenders were called for, with the result, however, that the gardens which submitted tenders were not able to meet the total requirements, and the buying was again entrusted to a Calcutta firm. In all cases the agreement with the agents provides that the rates charged for the tea purchased on behalf of Government must be accompanied by broker's certificates as to the prevailing rates, and there is thus no possibility of excessive rates being charged. I do not think I need weary the Assembly with details of the average rates paid during that period. I can assure them that they were the market rates, and I shall be pleased to furnish them to any Member who cares to ask for them.

So much, Sir, for the details of these contracts. I would like to add that, in all matters relating to these large centralized purchases for the Army nothing is done except with the concurrence of the financial authorities. Every contract has to be examined by the Financial Adviser (Military Finance) or by his Deputy attached to the Quartermaster-General's Branch at Army Headquarters. I do not think that it would be reasonable to expect Government, any more than any business man or private firm, to make invariably such an accurate forecast of the future trend of market prices that it can never make a bad bargain in any circumstances. After all, the people who buy and those who advise them are human, and therefore liable to err. What I do claim is that the utmost care is exercised by Government in respect of its large purchasing operations on behalf of the Army, that the best advice possible is taken, and that the purchases, as far as possible, are made at the most favourable times and at the lowest possible rates.

I have dealt, Sir, at some length with this question of contracts, because I want, if possible, to disabuse this Assembly of the idea—to quote Mr. Samarth's words—that the country's money is being spent as if it were nobody's in particular and can be spent anyhow. That, I can assure the Assembly, is not the case. This is just one of those matters connected with Army administration which lends itself particularly to vague attacks,—a sort of general suggestion that there is either a lack of business methods amounting to criminal negligence or corruption, or both. I say that there is no foundation for this idea at all. Then, as to the more general charge of extravagance, I ask, Sir, where is the proof? Can any Member point to definite instances of extravagance? I must remind the Assembly that there is in India a very high authority, independent of the Government of India (I refer to the Auditor General),

whose special function it is to scrutinise public expenditure and to satisfy himself that public money is properly spent and properly accounted for. His Audit and Appropriation Reports are available to the public, and I do not think that, during the last two or three years, there is anything in them to justify the idea that there is any undue waste or extravagance about Army administration.

That, then, Sir, is the position. The Military Budget is based on an Army of a given size and composition. The strength and organization are based on the recommendations of the Commander-in-Chief, but are fixed by the Government of India and by His Majesty's Government. Every effort is made to keep the cost down to the minimum possible. The most perfect administrative arrangements in the world would not reduce the present cost appreciably, because that cost reflects, in great part, the high prices prevailing throughout the world, as was pointed out earlier in the debate by Sir Montagu Webb. In other words, it reflects the depreciated value of money; and this factor ought not to be overlooked in comparing the cost of the Army to-day with its cost before the war. The Government of India look forward as anxiously as anyone in this Assembly to the time when the strength of the Army can be further reduced, and when a general fall in prices and improvement in our revenue position will make the army less of a burden on our finances. The trend of prices depends upon world movements, and these cannot be controlled by the Government of India. As regards the strength of the Army, the Commander-in-Chief has told you that the moment for reducing it has not yet arrived.

It is not the fault of the soldier,—perhaps I should say of 'that all-devouring, all desolating Moloch, the Military Department,' to quote my Honourable friend, Dr. Gour,—it is not the fault of this Moloch that military expenditure is so high. The causes must be sought elsewhere.

**Babu Ambica Prasad Sinha** (Patna *cum* Shahabad : Non-Muhammadan) : Sir, I am sorry that I feel called upon to criticise adversely the Budget that has been presented to us. Nothing could have given me greater pleasure than to support the proposals put forward by Government, but I think I shall serve the best interests of my country as well as of Government if I speak out plainly on this occasion. It is scarcely necessary for me to say that India is now one of the poorest countries and she is not in a position to bear this heavy burden of taxation. These fresh taxations, I am afraid, will increase and aggravate the discontent that prevails in the country; and Sir, I beg to ask Government how long is it proposed to carry on the administration of India in this manner? How long, I ask, are we expected to bear this load of excessive military expenditure? I shall earnestly urge on Government, if it wishes to satisfy our national demands and aspirations and to effect economy, to immediately reduce the number of British troops in this country and to Indianise the Indian Army. Further, Government should take steps to stop recruitment for the Public Services in England and to pay their servants on an Indian scale. There are other suggestions which have been made by my Honourable friends and I need not dilate on them. But I cannot help impressing on Government that its action in levying an enhanced duty on salt is calculated to affect every hearth and home in the whole of India and thus unpopularise it. With these words, let me express my profound disappointment at the Budget that has been presented to the House.

**Rai T. P. Mukherjee Bahadur** (Burdwan Division : Non-Muhammadan Rural) : Sir, this is the second year of the reformed era, which was ushered in with great expectation and was welcomed by a party, including myself, as the dawn of a happy franchise for the good of our country. But the successive deficit Budgets have taken away the spell and the charm of the Reforms and the happy vision is gradually vanishing into thin air. Those who were very enthusiastic for the new Reforms at the beginning, are now changing their opinion and are inclined to share the views of the extremists. Sir, the prospects are very gloomy. The people of the country are all discontented and it is mainly due to economic difficulties, and the non-co-operators, having taken advantage of this situation are disturbing the peace of our life and are threatening also to lead us down to the abyss of anarchy. Sir, in this time of trouble, what are we doing to remove the difficulties which are at the root of all the troubles and unrest in the country? Instead of taking any practical steps to remove those difficulties, we are introducing every year endless additions in taxation and a heavy outlay of expenditure, so much so, that we are about to levy again more taxes on salt, kerosene, railway fares, etc., which would go down even to the door of the poorest of the poor. Sir, the people are all disappointed and they are now thinking that the Reforms mean only a succession of deficit Budgets, of Provincial and Imperial bankruptcy, and endless additions in taxation.

Sir, I hope that you will all agree with me in thinking that the people should be first satisfied; and how they would be satisfied is a problem which confronts us and the Government. In my humble opinion, the people would never be satisfied, even if you grant them any amount of political rights, even the grant of Swaraj, with additional taxation. Sir, simple and inexpensive ideals must suffice an agricultural country like India 'where a vast population tends always to overtake the means of subsistence'. Sir, the people should be first well-fed and adequately clothed. These are the essentials, and, until these conditions are fulfilled, the luxuries of civilisation must wait. In time of adversity like this and financial stringency, there is need of serious thinking, when every kind of public expenditure is introduced, whether these expenditures are desirable and whether we can afford them, and, in my opinion, these criterions should be first applied to the ruinously disproportionate heavy military expenditure of the country, and, unless this is done, the result would be disastrous. Sir, it would be a great blunder if we ask again for further taxation to carry on the ordinary machinery of administration without seriously attempting to curtail the heavy expenditure. Sir, with these few observations, I am sorry I cannot conscientiously induce myself to support this unprecedented Budget.

**M. K. Reddi Garu** (South Arcot *cum* Chingleput: Non-Muhammadan Rural): Sir, I thank the Honourable the Finance Minister for showering on us, the Members of the youngest of Parliaments, encomiums and praises for our sanity and moderation, and for having stood a test which might have strained the capacity of many an older institution. But this kind of subtle game cannot be relied upon for all time. Our present situation is very serious. The Budget which the Finance Member placed before us has taken away our very life breath. Last year, Sir, you asked us to tax the country to the extent of 18 crores and now you advise us again to find you money to cover your deficit of 32 crores. Shall we be a party to it? Surely, Sir, we are determined not to be a party in passing this Budget; and, speaking for myself, may I request you, Sir, to record my vote always on the side of 'Noes', and let not my position be misunderstood that I have been a party in passing this extravagant and gloomy Budget, as well as this heavy Taxation Bill. If this House should be dissolved now, and a fresh election fought out on this new Taxation Bill, I can assure you, this whole Bill is sure to be thrown out by the new Assembly. Even if the non-co-operators should stand out of the Councils, the fate of the new Bill is surely bound to be the same. If, under these circumstances, the Government should advise the Viceroy to use his extraordinary powers to restore the Budget and the Taxation Bill, well, you are welcome to take the responsibility and act on it. But, Sir, you should not forget the well-known truth, that taxation and representation are inseparably united and that God has joined them both; no Viceroy can put them asunder. To endeavour to do so is to stab our very vitals. Taxation and representation are inseparably united and we will maintain it to our last hour. It is founded on the laws of nature, it is itself a law of nature.

> 'Whatever is a man's own is absolutely his own; no man has a right to take it from him without his consent, either expressed by himself or his representative. Whosoever attempts to do it attempts an injury, and whosoever does it commits a robbery, and he throws it down and destroys the distinction between liberty and slavery.'

Sir, these are not my words, they are the words of one who strenuously fought against the rights of the Mother Country to tax the American Colonies. These are the words of Charles Pratt, Earl Camden, in the House of Lords.

Sir, you may ask us what is the present remedy, and how to tide over the existing difficulty and carry on the administration of the country. Before trying to cure the disease let us diagnose the root cause of the present disease.

They are two in number. The first is the currency and financial policy of the Government of India, dictated by the Secretary of State and his Council; and secondly, the much coveted Montagu and Chelmsford Reforms. These are the root causes of the whole financial bankruptcy of the Government. The currency policy has always been managed not with a view to safeguard the interests of this country, not with a view to build the financial policy in the interests of the poor tax-payer, but with entirely different motives, more to please and placate the vested interests in England. So, unless the Government of India is entirely made free from the leading strings of the India Office and their advisers, and unless the finances of India are managed and controlled not by the intelligent amateurs of the Civil Services, but by really great financial experts, preferably Indians, until then we have no hope of salvation from this mismanagement. It is an open secret that, as the result of such mismanagement of our currency and

exchange problems, we have lost to an extent of several crores, and our country has become the poorer to that extent. Sir, we shall next examine the other cause, namely, the Reforms. It has been said that the Secretary of State, with a view to avoid unnecessary heat and artificial agitation from the Services against the Reforms, was forced to sanction high salaries to the various Services, and this is the price the nation has to pay for these precious Reforms; and, if the vulgar report current in the bazaar circles may be repeated here, this is supposed to be a sort of 'hush money' for all these powerful Services. While the Public Services Commission recommended only 12½ per cent. increase in the salaries, the Secretary of State, who is proverbially concerned about the poor tax-payer, has given them increases up to 50 per cent. as in the Medical Service. The pensions have been increased, the leave rules made much more liberal, allowances have been considerably increased. Block promotions have been largely removed and the annual incremental system applied, so that all officers can rise unconcernedly to their maximum pay. In fact, a new Arcadia has been created and if the world were peopled only by Government servants, things could not have been better. I believe, Sir, that, in considering the question of Civil salaries, one must have a sense of proportion and necessarily attempt to adjust the salaries to the means of the people. President Hardinge once said, while talking on this question of retrenchment:

'The Government is under obligation to give the greatest service for the lowest possible cost.'

The salaries of the high officials of this Government, in all Departments in India, are very high in proportion to the average income of the people, who contribute towards the cost of the administration. Taking the Railway Services, we find the pay of the highest official (Agent and Manager) of a State Railway is Rs. 3,000, while the pay of an Indian adult employee is Rs. 10 per month, giving a proportion of 300 to 1. This is extraordinarily high in comparison with the proportion of maximum to minimum pay for corresponding posts on European Railways.

Regarding the increase of salaries, even a moderate paper like '*The Times of India*' wrote as follows:

'It takes ones breath away to hear the most liberally paid Services in the world talk of their hardships and privations. The richest country in the world cannot afford to entertain the demands of people, who feel under no obligation to relate them either to the capacity of the country that employs them or to its other needs of a genuine and crying nature. In this country the lowest ranks of the Services have been paid less than a living wage and they are the hardest hit by the rise in prices and other adversities.'

In fixing the salaries one should have in mind the dictum of Prof. Marshall who says:

'It may make little difference to the fulness of life of a family, whether its income is £1,000 or £5,000 per year, but it makes a very great difference whether the income is £30 or £150, for with the £15 the family has, with £30 it has not, the material conditions of life.'

This dictum has so swayed the minds of the legislators of the West, that in every country constant attempts are being made to do away with inequalities of wealth. In India, not only are we far from this ideal of Government, but those in power seem to be so obsessed with their own needs that the Biblical parable has come to be true. Sir, let us next compare how the various Services in different countries like England, Canada, Australia, South Africa, United States of America and Japan are paid, and we will find a very good case for an all-round reduction of salaries. It is well-known to you and it has often been pointed out that the salaries of the Civil Services, as it stood before the present increases, are higher than anywhere else in the world, and that a District Collector draws more pay than the permanent Under Secretaries in England. At present, an Imperial Executive Council Member draws £5,333, whereas an important Cabinet Member in England draws £5,000 including the Premier. A Provincial Executive Council Member draws a salary of £4,266, a salary almost equal to the salary of two other Cabinet Members like the First Lord of the Admiralty, and then twice the salaries of four or five other Cabinet Members like the President of the Board of Education or President of the Board of Agriculture. The Prime Minister of Canada draws Rs. 3,000 per month, and other Ministers Rs. 1,750 per month. The Deputy Ministers and other heads of Departments get from Rs. 760 to 1,500 per month. In Australia, the Prime Minister draws Rs. 2,625, his Ministers Rs. 2,062, and his Secretaries and other heads of Departments from Rs. 875 to 1,875 per month. In New Zealand, the Prime Minister draws Rs. 2,000, other Ministers Rs. 1,250 and other heads of Departments Rs. 875 to 1,250 per month. Now, to go to South Africa, where the officers receive more pay than in other Colonies, the Prime Minister draws Rs. 4,375, his Minister Rs. 3,126 and the heads of Departments Rs. 1,125 to 1,875 per month. Then

to come to a Colony next door—Ceylon, the pay of the higher officials range from Rs. 812 to 1,875. In the United States of America, the Secretaries of State get Rs. 3,000 and the heads of Departments draw from Rs. 625 to 1,500 per month. In Japan, Sir, the Prime Minister gets about Rs. 1,300, the Ministers of State Rs. 900, the Governor General of Korea Rs. 900, and the other heads of Departments about Rs. 800 per mensem.

In the face of these figures, what shall we say, if there is still a cry in the interested quarters for more pay ? Let me remind the Secretary of State, who is responsible for these increases, to remember the dictum laid down by such an eminent economist as Prof. Marshall.

Sir, to solve the present problem and to save the country from the grave financial peril with which she is faced, there is only one honest and straightforward course open. First, a definite policy should be laid down to Indianise all the Services, both Civil and Military, within a definite period, say 10 years; then immediately the pay of all the Services to be reduced to the same level as is found in all self-governing Colonies, consistently with the comparative national wealth of the country and its financial resources.

**The Honourable Sir Malcolm Hailey** (Finance Member) : It will be imagined that I have some difficulty in finding the right line of reply to the remarks which we have heard for the last two days ; for, Sir, the Assembly has all the high explosive ammunition, and I, after meeting the shock of its concentrated attack and with what nerve I can still command, am left to reply to it with my small store of small arm ammunition. But, Sir, I am not dismayed, for I maintain that the result of the debate of these two days has been on the whole to confirm the main position which I took up in the Assembly on the 1st of March last. What are the main lines of attack on that position ? This is - we know it only too well, and we lament it only too keenly—this is a year of deficit; it follows three years of deficit ; and it has been argued here to-day that a succession of deficits of this nature, amounting to 90 crores in all, shows radical extravagance on the part of Government. Is that really so ? How, in fact, have these deficits been made up ? I remind you that they have been accumulated during 4 years. One cause has been the heavy adjustments still due on account of the Great War ; even up to last year we were still paying for the stores that had reached us in 1915-16.

A second cause has been heavy adjustments on account of expenditure outside India, such as expenditure on Persia ; and I may remind the House—the fact has been published elsewhere—that on Persia from first to last we have expended no less than £6 millions. A third cause of expenditure has been the Afghan War. A Government may be as careful as you will and it may be as economical as you will ; but, when its territory is invaded, is it to say to the invader, 'Stay ; I have made no Budget provision for meeting you' ? Is that to be its only argument ? Of that 90 crores, no less than 23 crores was incurred on account of the Afghan campaign. Then we have Waziristan. The policy of occupation of Waziristan has been attacked to-day. As my friend, Mr. Bray, pointed out so impressively, that policy of occupation was dictated by far other motives than the desire of aggrandisement or the prospect of acquiring a mineral-bearing territory. But, leave aside for the moment the policy of occupation. Before the policy of occupation was initiated, an expedition was necessary for quite other motives than those of occupation—I mean for actually dominating a tribe who was still then in the process of raiding British territory. The expenditure on that also has to be taken into consideration as a component part of our 90 crores of deficit. Then take another item : heavy interest charges on account of expenditure incurred during the War, including the £100 millions that was granted to England. Let me take another item. Most Members here are interested in the finances of the provinces and may well be so ; I ask them to realize that Central revenues are now passing over to the provinces something between 11 and 12 crores annually, and this again has to be taken into consideration when you judge of the manner in which our deficit of 90 crores has mounted up. I hold that, under no species of showing can you argue that that 90 crores of deficit in itself is a sign of gross extravagance on the part of Government. I admit that certain Members have argued with a somewhat wider range ; they have stated that we never should have incurred the danger of deficit had we in the past shown due economy in administration and generally that our scale of expenditure for years has been too high. That is a charge which goes far back. Mr. Samarth took it as far back as the East India Company ; Mr. Reddi, I understand, thought that all our woes were due to what he called 'our precious Reforms'. But the charge is that somewhere between these dates our expenditure began to assume a scale which the finances of India would not and could not bear. It is difficult for me, speaking late in the evening now,

to counter that charge in full. But what are the components of it? You have first the charge that our military expenditure has throughout been in excess. May I confine my answer to our own period? Our military expenditure now, high as it may be, does not reflect any increase in our combatant troops; it actually reflects a reduction in our combatant troops. Then, as regards the civil expenditure; we have heard many criticisms here regarding its scale; but I have heard few criticisms directed against the extent and scope of the Services which we carry on or which would indicate that branches of the administration should be radically reduced or abolished. Criticisms indeed really centre on one point, namely the pitch of salaries. Now, whether those salaries are too high or not, one point is clear, that the gross salaries paid to Imperial Service officers in the employ of the Central Government are not in themselves so immense a sum that, even if you were to reduce them to what is called an Indian standard, you would have effected an economy which would have seriously or substantially reduced the deficits of recent years. The fact is, of course, as Sir Montagu Webb pointed out, that the deficits of the last few years are due to quite other causes than the wild extravagance of Government. We have been told that Government has been 'drifting along, spending money thoughtlessly, it has been spending *ad lib*,' that this is 'the result of years of financial profligacy,' and that for years Government has been 'self-complacent and impervious to argument with regard to expenditure'. Yet one great reason for the deficits of the current and coming years is that we have, with falling revenues due to a depression in trade, had to meet a great increase in the cost of administration. But that increase in the cost of administration has not necessarily been on general administrative Services; it is mainly in our commercial Services. Dr. Gour, when he argued the case, pointing to the great increases that have occurred, chose somewhat unhappily the case of the Railways, Posts and Telegraphs, Opium and Salt. Now, a very small proportion of the extra expenditure there has been incurred on the pay of our officers. It has nearly all been incurred first on actual working expenses, such as coal and the like, and secondly, on the pay of the subordinate establishments. I would remind this House that the pay of the subordinate establishments more than once formed the subject of discussion in the Legislative Council, and that in the Post and Telegraph Departments the great increases that we were obliged to make were the results of Committees appointed for investigating the question. As to the great increase in the cost of the subordinate establishment of Railways, what is the proof that the pay of Railway establishments is excessive? Are those establishments living in such luxury and contentment that we never hear of strikes and that we are free from economic trouble? I defy any Member here to say that, in the administration of our commercial Services, we have been unduly extravagant, and it is the falling off in the revenues of our commercial Services, owing to the increase in the cost of our subordinate establishments, that has very largely contributed to our current deficit.

So much for the charge of general extravagance brought against Government. All Governments are perhaps a little extravagant; it is difficult to get the same standard of economy as in a commercial firm. That I admit. That there has been an extravagance in the management of Government affairs and particularly in the large Commercial Departments which would justify the language that I have quoted to you this evening, that I do not admit, and nothing that we have heard here seems to afford any proof of it. In any case, it is obviously incorrect for any one to tell us (as we have been told to-day) that our extravagance has resulted in so injuring our credit that we have to raise our loans now at 7 per cent., whereas in the old days we used to raise them at 3½ per cent. What an argument to use on a Budget debate at what rate is the rest of the world raising its money! Does it show that our credit is lower than the credit of other countries? Our credit stands far higher than most; it stands on an equality with the best.

And now, Sir, for the second of the propositions which engaged us on the 1st of March. Admitting that we have a deficit, are we to leave it uncovered or not, or to what extent are we to leave it uncovered? There were very few Members who ventured to suggest that we should leave the deficit largely uncovered. I know that Sir Deva Prasad Sarvadhikary did not look with apprehension on an uncovered deficit of 10 or 12 crores.

**Sir Deva Prasad Sarvadhikary:** No. I suggested other means not yet challenged.

**The Honourable Sir Malcolm Hailey:** I am only too glad that the Honourable Member is not a party to such a financial impropriety and by some means or other would close up the deficit. However, the proposal to leave a

large uncovered deficit did commend itself to one or two Honourable Members whom I prefer not to mention, for, Sir, in my own mind and I think in the mind of Sir Montagu Webb, an old and experienced student of finance, they are heretics and nothing else. You cannot, for the most obvious reasons, afford to contemplate carrying on the next year with a large uncovered deficit. Sir Frank Carter pointed out the great difficulty we were under in regard to the amount of our floating debt; I ventured myself to speak at some length on the 1st of March on the same subject, and the danger of increasing it has been recognised by the Press throughout India. There is general agreement that it is not a practical proposition to leave your deficit uncovered, for you will not be able to finance it except by the device of issuing unbacked paper currency—the most dangerous thing that any country can do. I need not perhaps labour the question, at the same time I do not wish to exaggerate it. I do not wish to fall into the same error as my Honourable friend, Sir Vithaldas Thackersey, if he will allow me to say so—for he really exaggerated the difficulties that lay before us in financing our floating debt. In the figures which he gave the House, he took the whole of our Treasury Bill transactions for the issuing year as a gross amount, whereas all that we have to take into account is the net outstanding at any particular time representing our actual debits to the public. Well, Sir, there is then a very general agreement that somehow or other that deficit has to be closed up. It is in the steps necessary for closing it that our differences begin. Now, if I may take the almost universal verdict of the House, the one and the essential way of doing so is by the reduction of expenditure. (*Two or three Honourable Members*: 'The only way'.) I do not gather from what I heard that they expect any great amount from a reduction in civil expenditure. I myself have hopes of some reduction of civil expenditure as a result of the committee which we shall appoint. I am by no means without confidence that we will be able to effect reductions which will benefit us in the long run. But, as I said before, I do not think they can have any immediate or very substantial effect on our deficit. The device which commended itself to the House was undoubtedly this, that we should effect a reduction of something that was estimated in various quarters as from 20 to 25 crores in our Military Budget. We were asked by Dr. Gour whether we were, or whether we were not, prepared now and at once to enunciate to the House a policy in consonance with the principles laid down by the Brussels Conference, namely, that the military expenditure should not exceed 20 per cent. of our revenue.

Now, on that point, I should like to make an explanation. It was suggested that it was my duty to justify to the House the extent of military expenditure, that it was my duty to justify on behalf of Government the statement that no substantial reductions could be made in the present year. It was suggested by Mr. Kamat that the House could not assent to be dictated to by His Excellency the Commander-in-Chief. The exact position in this respect is that His Excellency the Commander-in-Chief speaks in this matter as a Member of Government, not as the highest military authority, as he undoubtedly is, but as a Member of Government in charge of the Army Department. He, in speaking (and, if I were to speak on the same subject, I could do nothing more or nothing less), can announce only the decision of Government. Do not let anyone here suppose that the decision of Government in regard to military expenditure is merely a decision of the military authorities. It represents the decision which Government has been obliged to arrive at, after weighing all the factors of the present situation, after allowing every regard to the necessity for economy, and the decision is that no substantial or effective reduction of combatant strength is possible in the present circumstances. You have heard His Excellency the Commander-in-Chief on the subject. It is unnecessary for me to add anything, save to make it clear on behalf of all my colleagues here, that it is impossible to meet the demand put forward by the House and to offer to reduce the military expenditure in this year by the 20 or 25 crores that we have been asked to cut down. (*Mr. Rangachariar*: 'Make a decent beginning.') (*An Honourable Member*: 'Let it be ten.') I do not know whether my friend Mr. Rangachariar's decent beginning would suit the feelings of other Members or not. I can only say that the sum which we have put down in the Budget must remain the sum that we ask the House to pass.

Now, Sir, how difficult the problem is is shown by the fact that many other expedients have been offered to us in the course of this debate. I do not think I need go into them all. I do not think, for instance, that I need take up the question of premium bonds, for, however successful that controversial expedient would be, it might ease our capital position, but could not ease our revenue difficulties or reduce our deficit. Nor need I go into the question of contributions from Indian Chiefs. Such small sums as we now take from the Indian Princes are based on treaties of many years' standing

and I could not ask the House to tear those up and demand more. Nor will I discuss the value of the suggestion that we should break up the Permanent Settlement, for, if it went into the limbo to-morrow—another scrap of paper—the Provincial Governments would take all the profits and the Central Government nothing. Mr. Shahani suggested that the remedy for our troubles was a Gold Standard proper instead of the broken-down Gold Exchange Standard. Sir, would a Gold Standard at the rate of 1*s.* 4*d.* to the rupee (supposing this feasible) make any difference at all except to the form of our Budget? Obviously not; however desirable that measure might be in itself, our revenue position would at the end be exactly the same as at the beginning Now I come to what – I say it without any disrespect to the speakers who have tried to help us with their suggestions and criticisms — is a somewhat more practical proposition. Sir Vithaldas Thackersey would reduce our deficit by revaluing the Paper Currency Reserve and thereby reducing the interest that we pay to the Paper Currency Reserve for the securities held by it. Revaluation would, of course, Sir, involve our fixing a new standard of exchange, and that is no easy matter, as I think the House considered the other day; but, moreover, revaluation would not in itself affect the great saving that, I think, he anticipates. A revaluation of our Paper Currency securities would make a difference of about 15 crores of rupees, and it is the interest on that 15 crores which would come to the assistance of our revenue position and no more. Of course, he might go further and demand (as the Press in some quarters has demanded) that we should now alter our law of September, 1920, and cease to earmark to the Paper Currency Reserve any interest on our *ad hoc* securities. That is a matter which must receive our consideration; I can announce no immediate decision on the subject. Then, Sir, Sir Vithaldas Thackersey would further reduce our revenue deficit by paying from Capital our Railway annuities. That is again a question which has been discussed for some years and the decision in 1907 was that they should be paid from Revenue.

**Sir Vithaldas D. Thackersey:** At that time it was only less than a crore.

**The Honourable Sir Malcolm Hailey:** It is only a crore and 17 lakhs now. The interest on those annuities, which, of course, must be paid from revenue, is 4 crores. However, that is again a point which we shall have to consider. It has also been suggested to us that we should tax the import of gold and silver; Mr. Spence and Haji Wajih-ud-din proposed that we should tax gold and silver; Sir Montagu Webb proposed that we should tax silver only. I do not know if the House would desire that I should discuss the proposal for taxing gold. I do not know what would become of the future gold currency and gold standard if we taxed the import of gold. As regards the taxation of silver, Sir Montagu Webb said that the case was woefully mismanaged last March. I do not know if, when our Finance Bill comes on, he can manage to persuade us or the House to take a different view this year. It is open to him to do so; he will no doubt make a gallant attempt.

Those are the alternatives that have been put to us, Sir. Some of them would have a considerable effect in the reduction of our deficit; but even so they would still leave the main problem untouched. And so we come to the course which I proposed to the Assembly, namely, fresh taxation. Now, that took two avenues. I shall deal with them separately, as I did on the 1st March, and I shall deal with our critics briefly. The first measure proposed was to make our commercial Departments pay for themselves. In regard to Railways, our proposal is to raise the passenger rates. Various Members here have applauded the proposal, but applauded it only as far as concerns first or second or perhaps intermediate class passengers; they would not tax the third class passengers. That, Sir, may be a very democratic point of view but financially it is not, I am afraid, a very sound one, for the receipts from the third class passengers amount to no less than five-sixths of the total revenue from passengers. Then, Sir, as regards Posts and Telegraphs. We have heard again, as we heard last year, expressions of the sense of injury that would be felt in the country if we did away with the pice postcard or the half-anna envelope. There are many Members who say that they will under no circumstances agree to such a proposal. I can only put before them again the fact that the net loss on the Department in the current year is some 90 lakhs, and the net loss on the Department in the coming year is some 80 lakhs. Are they prepared to continue to run a commercial Department at a dead loss? Is that business-like, or is it fair to the general tax-payer to do so?

Then, Sir, as to the taxes we propose. They are many, and I am afraid the mere repetition of the list itself would be distasteful to the Assembly; I shall touch, therefore, on only one or two of the more salient points. Take, Sir, the cotton excise duty. Now, Sir, as Sir Montagu Webb said, we are of course perfectly well aware that the imposition of this duty will fall

ultimately on the consumer. We were prepared for this criticism. What I was not prepared for was to hear, from some of the advocates of the Bombay point of view, that excessive sympathy with the consumer which they professed in this House. (Laughter.) I do not remember, Sir, that when the mills were making very large profits, they showed any very practical sympathy with the consumer by reducing their prices. That is not blameworthy: it is natural enough; Sir, of course, their prices are fixed (since they produce only 40 per cent. of the total consumption), mainly on those of the competitive article. If, therefore, we raise the tariff on the imported article, they will naturally raise the price of the home product; and the difference of 4 per cent. will be a present to them. But, suppose that we raised the import duty to 15 per cent. and did not raise the excise by 4 per cent., would the consumer get his cloth any cheaper? Surely not; and it is hard to see that the raising of the excise will make any effective difference to the general consumer.

Now I do not wish to take up an attitude of partisanship here at all. I regard our attitude on this subject as perfectly natural and perfectly reasonable. This has been denounced as a countervailing duty. The Members who have spoken have held up to us the far higher morality and the far more independent attitude of the Members of the Executive Council in 1894, who protested to the world against the imposition of the cotton excise duty at the dictation of England. They have told us in so many words that we ought to do the same. The facts, of course, are entirely different now to 1894. The cotton excise can no longer be described in any effective sense really as a countervailing duty, since there would still be a gap of 7½ per cent. between the imported and the home-made article.

**Mr. Jamnadas Dwarkadas:** Why was Manchester jubilant?

**The Honourable Sir Malcolm Hailey:** I think it is easy to suppose that Manchester views the proposal with gratification, for they seem to have expected something very much worse. (*A voice*: 'They were angry last year.') Quite; that is perfectly true. They were upset last year; they are comparatively pleased this year. But I will not go further, Sir, and admit any implication at all that this step has been taken in the interests of Manchester, or in order that it may act as a countervailing duty, or that it is due to any dictation save that of our own necessities and our revenue interests. (Hear, hear.) I will not admit any implication of that kind, and I will brook neither here nor anywhere else any suggestion that I and my colleagues were influenced by any desire save that of making our Budget square and of raising as much money as we could from any source that seemed to us reasonable. (Hear, hear.) Why, Sir, how hollow is the suggestion that we were influenced in any way by the dictates or desires of Lancashire is shown by Sir Vithaldas Thackersey's own statement that the real enemy is Japan, not Manchester. Are you going to bring that further crime against us? Are we swayed not only by a desire to help Lancashire, but are my colleagues and I also swayed by some queer and mysterious desire to assist Japan? I have explained the reason why we proposed an addition to the cotton excise duty; it must stand or fall entirely on its own merits, purely as a revenue-raising device.

With regard to machinery, Sir, there has been much opposition here. I have been quoted, and no doubt rightly quoted, against myself. I said last year that I felt all the objections to raising the rate, and that is still true. I feel all the objections still; I do not like to see what in effect might in some circumstances operate as a tax on enterprise, and the expansion of industry. I would not myself have agreed this time to the proposal to increase the rates on machinery were it not for the fact that, as compared with last year, the prices of machinery have been very materially and very substantially reduced.

Now, Sir, I must not argue the rest of our proposals. I hope a time will come when we can take them one by one, argue them out, each of them on their own merits. But the House is asking me, in the face of the discussion we have had during the last two days, what are you going to do? Are you going to meet our demand that, before we go any further with this matter, you should agree to a very material reduction in the Military Budget. I have given what, I am sorry to say, is the only answer in my power. The sum which we have put forward must stand as our demand unless we can carry out a very considerable reduction in the number of combatant troops, and Government has decided that reduction in the number of combatant troops cannot be made. I cannot, therefore meet the House in this matter. What then is to be the attitude of the House? We have been told by many Members that unless we can meet their requirements in regard to Military expenditure, requirements which they regard as wholly justifiable, they cannot be responsible for the Budget; they must wash their hands of it,

and dissociate themselve from any further stage of voting it. It is we who have placed this burden upon India, and we must take the whole responsibility on ourselves. Is that then to be the last word? After all our attempts, attempts just as genuine on behalf of the Government as on behalf of any one here, to bring the Reform scheme to fruition have we now come to the parting of the ways? Have you indeed decided that owing to the restrictions that have been placed upon you by Parliament in regard to the voting of the military budget, and owing to your sense of disappointment that those restrictions cannot now and at once be raised,—have you come to the decision that you will take no further responsibility for voting any single one of the financial measures which we propose for the coming year? Do you say if there is to be a deficit and if Government will not meet it by the definite measure you suggest, then let the deficit stand, or let Government certificate the necessary legislation to cover it, but that you cannot go to the country and say that you have been assenting parties to any measure that will help to reduce it? Well, if it must be so, I suppose it must be; but I do ask the House to consider one point, and to consider it seriously. The avenue for constitutional advance is that laid down by Parliament, and you can, unless you desire to attempt it by the force of arms, achieve no constitutional advance in any other way. Will the suggested attitude help you with Parliament or will it not? The Reforms have lately, I am afraid, though not through the fault of the Assembly, lost many friends in England. It is clear that some who were staunch supporters of the reform constitution for India when it was introduced have lately become somewhat impatient of its working and apprehensive of its results. (*A voice* : 'No justification') I refer only to the facts : I do not pretend now to go into the rights and wrongs or the reasons for what has occurred; I only say that the fact is clear that you are now at some difficulty to maintain the whole of your friends in England. Are you now going to take an action which will reduce that number, and to the ranks of that irreconcileable section which believes that India is not, never has been and never can be, capable of working reformed constitution leading to full responsible Government? Our own course is clear. We, my colleagues on Lord Reading's Government, have stood, are standing and will continue to stand for the steady progress of Reforms along the regular constitutional avenue which has been laid down by Parliament. Are you, the Legislative Assembly, going to do anything that will prejudice or retard the progress of that constitutional advance? (*Cries of* 'No' and applause.)

## PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Wednesday, the 8th March 1922.*

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

## DISCUSSION ON THE BUDGET.

The HONOURABLE THE PRESIDENT: We will now proceed to the debate on the Budget.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, in rising to open the debate on the Budget, I must state that I find myself in a somewhat difficult position by the fact that I hold a seat on the Fiscal Commission. However, I wish to make it perfectly clear that whatever I say to-day in connection with this Budget represents my individual opinion on the subject, and that whatever conclusions to which I may hereafter arrive in my capacity as a member of the Fiscal Commission will be wholly unaffected by what I say to-day.

Sir, I congratulate this Council on the opportunity it has obtained of speaking on this Budget. Perhaps after the discussion in the other House we may not materially add to the deliberations that have already taken place, but it will at least have this advantage, that the Finance Minister and the Government of India will know the point of view of the Members of this Council—the premier Council in India—and the light in which the taxation proposals contained in the Budget are received by this body.

In commenting on this Budget I speak with a heavy heart. I realise the Finance Minister's difficulties. I realise that during the last two years the task which he has been called upon to confront has been exceptionally heavy. I fully realize that no Finance Minister during the last 40 years has had such misfortunes to contend with as Sir Malcolm Hailey. I realise the difficulties of Government due to the depression in trade and the slump in business, and to the purchasing power of the rupee having fallen. I fully realise all these serious considerations. I fully realise that Sir Malcolm Hailey has had a most anxious time and that he has done his best to place a courageous Budget before the general public, without seeking cheap popularity. But when all this is said, I submit that it is all. I feel it my duty to state that the Budget as presented to the House is reactionary in its character; the principle underlying it is retrograde and unsympathetic; it is subversive of the industrial interests and the development of the country; and if this Budget is passed in its present state India will be oppressed not only with burdens which will be heavy in character, but which will permanently, or at any rate for a long time to come, affect the vital interests of this country. In framing this Budget Sir Malcolm Hailey stated that he had laid two principles before him. The first is that it caused the minimum of inconvenience and hardship to the tax-payer, and secondly, the minimum of disturbance to the general public and to trade. With both these propositions I respectfully differ. I join issue with him on both these points and in the course of my debate to-day I shall point out that the principles which he has laid down militate very severely against both trade and the interests of the general tax-payer.

Sir, there is one important feature of this Budget, the heavy increase in taxation. Coming on the top of last year's heavy taxation I feel that the country is not in a position to stand this additional burden. I feel, Sir, that all the available sources of revenue have been exhausted, and, coming as they do on the severe taxation of last year, I feel that the new proposals on the whole are of an oppressive character and need material alteration. This Council is always ready to support Government in its legitimate financial proposals, but I am afraid, Sir, as the Budget stands at present, Sir Malcolm Hailey will not receive the support of the non-official Members or their co-operation.

Sir, our able Finance Minister has in the presentation of the Budget laid down three alternatives. He has plainly told us that either we must cover the deficit, or reduce the expenditure, or sanction fresh taxation; and Sir Malcolm Hailey has adopted the last alternative and asks this House to sanction the proposed taxation. Sir Malcolm is as human as most of us. I do not blame him for having adopted a course which will add revenue to the Government coffers. But then, Sir, the other side of the

question has to be seriously probed into. I shall in the course of my examination of the budget endeavour to be as brief as possible. The first question that has been put to us is that we must cover the deficit. I acknowledge that on grounds of policy, on grounds of expediency, on grounds of statesmanship, it is always desirable to adopt the course of covering our deficit, either by a reduction of expenditure or by increased taxation. But, Sir, we are passing through abnormal times; the state of our finances is critical. I must not be understood to say that I am entirely in favour of leaving the deficit uncovered. I would only remind my friend, Sir Malcolm, of what the position in Europe now is. What is happening there? Can he point out any country, with the exception of England, which during the last two or three years has covered its deficits? France alone has done so by putting the amount which she expects to receive by way of reparation from Germany on the credit side, though recovery of reparation might as well be dropped. I do not lay great stress on this point. However, as the Budget stands, Sir Malcolm Hailey though anxious to cover up the deficit, has actually left a deficit of nearly three crores of rupees uncovered for the next year. That deficit still stands and the proposals contained in the Budget do not make good that deficit. Therefore, whether the deficit is three crores or seven crores or more, it will not make a great difference in an exceptional year like this.

Sir, the next proposal lies before us in an alternative form. Are we going to reduce expenditure, or are we going to accept additional taxation? Sir Malcolm has stated that it is not possible for the Government of India at this stage to reduce the Military expenditure, to reduce the Civil expenditure, to reduce the enormous burdens which are a drain on our finances. He has stated that at present there is no other alternative for this Council but to submit to his Budget, to accept cheerfully and readily a further instalment of taxation. I shall come to the question of taxation presently. But I beg to point out, Sir, that I feel, despite what I have heard from His Excellency the Commander-in-Chief, I feel that we cannot allow our Military expenditure to stand in its present condition. Sir, during the war we were definitely told by Finance Minister after Finance Minister that we had to meet the Military expenditure out of sheer necessity, that this expenditure was at best of a temporary character, that this expenditure would cease when normal conditions were restored, and that the country would be absolved from the crushing burden at an early date. We have looked in vain for the fulfilment of that prophecy. Our Military expenditure has increased by leaps and bounds. Our Military expenditure at present is 62 crores, half the revenues of the State. I ask my Honourable Friend, Sir Malcolm Hailey, to enlighten us what country in the world spends 50 per cent. of its gross revenue on Military expenditure?

The HONOURABLE MR. E. M. COOK: Provincial revenues should also be taken.

The HONOURABLE SIR MANECKJI DADABHOY: It is a mistake to take into consideration provincial revenues. I think that is a bogey. My friend, Mr. Cook, seriously tells me that I omitted to take into consideration the provincial revenues. Sir, I do not think he is serious. It might be perhaps logical, but it is not fair, in calculating total Military expenditure, to take our provincial revenues into consideration. The bulk of our provincial revenues are spent on provincial appropriations, are spent in the provinces, and in considering a matter of this sort you have only to look to the Imperial revenue as it stands. On the other hand, Sir, of the 90 crores of debt which we have incurred during the last four years, nearly 10 or 12 crores have gone to Provinces as contributions in the shape of relief. Sir, I must say, and with great respect to His Excellency the Commander-in-Chief, and I feel it my duty to point out that the country at large, the Council at large as a body, is not in agreement with His Excellency regarding the Military policy. I have heard a great deal said about the propriety of our Military expenditure. Sir, there are ways of reducing that expenditure, but I do not propose to-day to go into the labyrinth of Military expenditure, to point out the various details where economy can be safely and effectively practised, where retrenchment could take the place of extravagant and liberal expenditure. I wish to point out that, despite what His Excellency has said, there is scope, tremendous scope, for retrenchment. Sir, we are told that this Military expenditure has been necessitated by our frontier policy. We are told that this Military expenditure has been necessitated by our occupation of Waziristan. His Excellency the Commander-in-Chief is aware that there have been always two opinions on this question. India has resolutely, to my knowledge, for the last 25 years protested against the policy of unnecessary aggression and annexation. India has strongly protested and made it clear that she cannot bear crushing Military expenditure. His Excellency the Commander-in-Chief has told us plainly that we need not look forward for a

decrease in this Military expenditure and has warned us that the Military expenditure next year will be much larger than what it is this year. If I am incorrectly representing His Excellency, I am very sorry, but that is what I gathered yesterday. He stated at any rate that the expenditure next year would be as much as this year. Sir, I understand that this expenditure is inevitable and that we will have to increase this expenditure, at any rate, for a series of years, that there is no hope or prospect of seeing any diminution in this expenditure as we are now engaged in an attempt to pacify the fanatics of Waziristan. I submit that we might as well make an attempt to pacify the band of tigers in the jungles of Sundurbans (Laughter). I submit, Sir, that this policy must, as early as possible, be brought to an end. There is only one alternative left. We must come back to our original boundary line. We must come back to our natural boundary line. We must set back our frontier boundary. We cannot year after year spend money, the tax-payer's money, on the off-chance of civilising and controlling these fanatical tribes of the frontier. Sir, there is only one consideration, one alternative, and that is, we must evacuate those frontiers which cost us such large sums of money and where expenditure cannot be restrained. Our friend, Mr. Denys Bray, than whom there is no frontier officer of such unique experience, has told us . . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member cannot refer to the debates of the other House save in so far as they refer to speeches of those Members of the Executive Council who are entitled to speak in both Houses. The reason of the ruling is obvious.

The HONOURABLE SIR ARTHUR FROOM: May I ask, Sir, what time each Member of the Council will be allowed to speak during this debate?

The HONOURABLE THE PRESIDENT: I prescribe no time-limit. I trust to the good sense and consideration of the Members of the Council who, I am sure, will not take an undue amount of time. I must say, however, that I should regard anything above half an hour as transgressing.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, in view of your ruling and the limited time at my disposal, I feel I will not be able to do justice to many contentions raised in the budget, but I will endeavour to place some of the most important arguments before this Council. The next question is that of the Excise duty. This has been justified by Government on the ground that the import duty has been raised to 15 per cent. Sir, I should have thought that after the statement made by Lord Hardinge in the Imperial Legislative Council, after the assurance given by Sir William Meyer, as the Finance Member, after the statement made by the Right Honourable Mr. Montagu in answer to the Lancashire deputation in March last, that the Government might have left this controversial subject severely alone. Sir Malcolm Hailey says that he has not overlooked the contentious history of this duty. If, Sir, he has not overlooked the past contentious history of this duty, why has it been thought fit now to increase it? Sir, this duty as it stands, perhaps might not unduly affect manufacturers, but what I contend is, that this Council times out of number has made its position clear in respect of this duty. The country objects to this duty not as a harassing or opposive duty, but as one wrong in principle; it is wholly indefensible, and it cannot stand. Sir Malcolm Hailey as a Finance Minister knows that no European country in the world has ever gone in for a tax of this nature. During the war, when the resources of England were attenuated; during the war, when England was almost verging on bankruptcy, it never for a moment dreamt or took into its head the idea of putting a duty on cloth manufactured in Lancashire; and, Sir, if such an attempt had been made by England or any Government, that Government would not have survived for twenty-four hours.

Sir, at present there is no justification for this duty. Sir Malcolm Hailey in his Budget says that he has endeavoured his very best not to change the character of the duties and also to see that the *inter se* relations between the various duties are maintained. I beg to point out to him that it is not so. The very fact that an additional duty on Stores has been put; the very fact that the duty on Machinery has been increased; the very fact that the Income-tax has been raised, destroys the character which he alludes to, and the *inter se* relations between the various duties which he has claimed to maintain. Sir, there was no justification for the increase of this duty. The general tariff of 15 per cent. was raised as a general tariff, and if that was done, there was no necessity to isolate the item of Excise duty and to raise this duty; and the very fact that 4 per cent. had been increased and the present Excise duty has been brought to 7½ per cent. conclusively proves and establishes the desire of Government to maintain the countervailing character of the duty to which we object. It is wrong, Sir, in principle, and this duty is indefensible from any point of view.

Sir, the Excise duty is a tax on production. It is not a tax on profits. The Millowners of Bombay do not mind bearing their fair share of the burden of taxation; it does not affect them in the least if this duty is maintained. If you allow it to remain as it is, it will be simply passed on by the manufacturers to the consumers. The Finance Member thinks that this duty will not be oppressive; but I beg to point out that it will be very oppressive. It will eventually tell upon the industry. The Bombay Millowners will prefer to go in for another item of taxation than this. As regards the present prosperity of the mill industry, my Honourable Friend forgets that the industry has gone through many cycles of adversity. If he takes the average profits for the last twenty years, it has not been more than 10 per cent. If you bear in mind that the present prosperity of the industry is merely ephemeral, that it is due to war causes; if you bear that in mind, this increase in duty is not justifiable. Let me also bring to the notice of the Finance Member that the Millowners of Bombay have not been so selfish as he thinks. What they realised in the last three or four years they gave solidly in a body to help your War Loans (Hear, hear). But for the Bombay Millowners' help and assistance your position to-day would have been difficult. I say there is a limit to one's endurance. You still have a loan of 25 crores of rupees to float this year, and you will have to depend on the Bombay Millowners for their help and assistance. You will have to look to them for the supply of the major portion of the money. The whole of the industries in this country are lying low; the industries of the country are financially suffering; the jute trade is ruined; other trades are ruined. There is only one trade at present, the mill industry of Bombay, and I warn the Government not to throttle that industry. That is the industry which supports the people, which supports labour, and it will be of great assistance to Government in its financial policy.

Sir, I likewise say to my friend, Sir Malcolm Hailey, that the tax on Machinery is wholly unjustifiable. The tax on this has been raised from 2½ per cent. to 10 per cent. This sudden jump is to be regretted in face of the assurance of my friend, Sir Malcolm, last year, that this increase in duty was temporary and undesirable. Sir Malcolm thinks that this duty is justified at present by the fall in the price of machinery. Does Sir Malcolm Hailey know when this fall commenced? This fall commenced only in last August, and while the prices of machinery increased by 300 to 400 per cent., the reduction last August has only been 20 per cent. in some cases, and 30 per cent. in others. This small decline in price, therefore, does not affect the question. When Sir James Westland discussed this matter he assured the Council that the import of machinery would be allowed free for the industrial development of the country. Is this the time when India is struggling to develop her industries, when India is struggling to make her position felt, to bring prosperity to trade, that this heavy duty of 10 per cent. be imposed? I ask Sir Malcolm, is this measure consistent with his preliminary statement that it will cause the minimum of hardship to the trade? Is he not aware, Sir, that contracts have been made by people for millions of pounds of machinery during last year? That machinery is coming out, and I should have thought that in all propriety, in all fairness, the Finance Minister would have at least exempted those contracts which were closed on or before the 28th of February last. What is the result of this policy of taxing machinery? It is a charge on capital. We do not mind a charge on profits, but by this charge on capital you are going to handicap the trade. You are compelling companies that have been floated, to wind up their concerns. You are compelling other companies to borrow money and have a capital debt at the very start. I ask the Finance Minister seriously to consider his position and see whether it is right and fair to enhance the duty in view of his statement deliberately made in this Council twelve months ago.

Sir, about the Salt duty I will only say a word. I agree with the Finance Minister that in its incidence it will not be felt. It only works out at 3½ annas a head a year. That may be so. I will only ask him whether he thinks that in the present political and economic condition of India this is a wise tax to levy. It is for the Government to decide. I would only warn them that they are taking an uncalled for and unnecessary risk in this matter.

Sir, with the time at my disposal I cannot refer to many other matters, as other Honourable Members have to follow me, but I want to assure the Honourable the Finance Member that we will give him every help and assistance if Government makes an earnest attempt, if Government makes a serious attempt, to recast this Budget and remove oppressive and unpopular taxation. We are ready to bear our share of the burden, and I would suggest to him a few sources of income which he might consider. It would be advisable to remove this increase in Excise duty and substitute in its place increase in the Corporation tax from one anna to one and a half anna. If the Corporation tax (super-tax payable by companies) is

raised he will get more revenue than he expects to get from Machinery and this Excise duty combined. He will not be doing any injustice to any particular trade. He will not be doing injustice to one particular line of business. Sir, the principle of putting a duty on yarn has been admitted by Government. This was the duty Government was advised last year to impose. The Government have now decided to put a 5 per cent. import duty. If the principle is admitted, why confine this duty to 5 per cent. and not increase it to 15 per cent? Why not bring it within the general tariff of 15 per cent? The argument that it will affect the loom industry of India is absolutely unfounded. Those who know anything about it can assure my Honourable friend that as regards the imports of yarn they are generally of a superior count, and that only one-seventh or one-eighth part of it is used by hand-loom weavers. The rest is all consumed in the power loom industry. Sir, I am against export duties of all sorts, except in articles in which we hold monopoly, and I will never agree to an export duty so long as I am in the Council; but if the financial position of Government necessitates the raising of revenue, my submission is that it will be advantageous, as a special measure, to lay a moderate export duty on oil seeds, teak, bones and manure, and also a moderate duty on wheat equivalent to the duty on rice. I also suggest that the foreign imports of coal should be taxed. What justification have we got to allow foreign coal to be imported free? Except the coal required for bunkering purposes, all imports of foreign coal may be taxed with advantage. You may as well levy a port tax . . .

The HONOURABLE THE PRESIDENT: The Honourable Member does not seem to be bearing in mind the remark which fell from me a little while ago.

The HONOURABLE SIR MANECKJI DADABHOY: I am just closing my remarks, Sir. About 10,000 ships annually enter the harbours of India; the shipping industry has done very well during the War, and if a small tax is put on it, I don't think it will considerably affect it.

Sir, the position is clear to my mind and I ask Sir Malcolm Hailey, I request him with all earnestness, to see his way to revise and re-cast the Budget. We feel that we cannot support it as it stands. When fiscal power has been given to us to a certain extent, I say we shall be humiliating ourselves in the eyes of the world if we accept this Budget without protest and without opposition; but I assure him of our support and our willingness to meet him half way if the Budget is re-cast on sound principles, on principles of justice and fair play which will not involve serious additional taxation on the poor and unprotected.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I desire, if I can, entirely to dissociate myself from the atmosphere of gloom with reference to this Budget which has been the atmosphere prevalent this morning, and if I were allowed to say so, I would say in the other place also. Our expenditure has gone up of course. What else could we expect? The year has been a thoroughly bad year commercially all over the world—as bad I suppose as the world has ever seen. And how could India expect to escape? In India also we have had a bad year politically. Sedition has been rife. There has been a political rebellion within our borders. There has been a series of political strikes with no economic justification. All these things have to be paid for. There has been in the Budget a very heavy loss on Exchange. This could not be avoided. In addition to all this, War prices are still with us. Everything that Government has to spend costs more than it did. How on earth, under these conditions, could we have expected the expenditure side of the Budget to show a diminishing ratio? I cannot see that, as regards the expenditure side of the Budget at all events, the slightest blame can be attached to the Finance Department. It is true that in the course of the debates in both Houses suggestions for Retrenchment Committees were not received by the Government with the willingness which we might have expected; but still from our own personal experience as people who live in this country we know that everything is starved; we know that everything has been cut down to the very smallest possible margin; we know that public works, which are absolutely necessary for the improvement of each Province and of the Central Government, are being cut down; we know that the whole great mass of Government servants consider themselves underpaid and with some justification, and we know that every protest that they put forward, every petition they venture to submit, is met with the reply ' no funds.' This being so, unless people can suggest absolutely specific instances, we must acquit the Government of extravagance. (Cries of ' Retrenchment.') Where you are going to get retrenchment, I do not know; it will at all events have to be the work of a very great expert to find out.

Next, I would turn to the Army. There has been a general cry for a reduction of the expenditure on that. We are told commonly that it absorbs more than 50 per cent. of our revenue. I do not agree with that. I

consider that the sphere of the Army is spread over the whole of the provinces and that the Army expenditure, if we can divide it up into percentages, should be spread over the whole revenue available. If we do that, I shall be surprised if we find the figure much exceeding 30 per cent; 30 per cent. may be an exceptional figure, but we live here in exceptional times. We have not only to protect the inhabitants of our political zone from the wild raiders of Waziristan, for which so strong a case was made by His Excellency the Commander-in-Chief yesterday, but we have also to protect our peaceful citizens from marauders in our midst. As long as the present political situation continues in India, as long as we are in danger of rebellion and sudden political strikes, it is essential that we keep an Army fit to cope with any situation that may arise at any moment. That being so, my strong view is that on questions of Army expenditure, we must be bound by the joint deliberations of the Civil and Military authorities which give their verdict through the Central Government. Any sum cut off the military budget which is considered necessary by the Central Government is perilous to the individual who desires to pursue his peaceful avocations in this country.

A deficit, of course, there was bound to be, and the Honourable the Finance Member has in his long, interesting and instructive speech dealt with most of the possible means by which this deficit could have been met. Apart from taxation, the three obvious methods which occur to one are, first of all, the printing of notes, which I do not think will find a single supporter here; secondly, utilising the Gold Currency Reserve, which would be a last resort which I fancy also would find but little favour, and, thirdly, carrying a great deal of this deficit and relying upon the public to lend us the money to carry on with. I would not advocate carrying the whole of the deficit, and I am sufficiently impressed with some of Sir Malcolm Hailey's warnings that there are limits to the amount of money which India could borrow; but, in my humble opinion, he has been overcautious in his fears on this matter, and I cannot believe that, provided the Government of this country is strong, provided the Army is kept at the right figure, provided citizens are prepared to foresee for themselves scope for the peaceful pursuit of their business in India, the borrowing capacity of the country has as yet been at all fully exploited. I have not the exact figures with me, but I should doubt if the loans outstanding against this country were more than 600 crores. Of this, no less a sum than something like 450 crores are remunerative loans, loans sunk in railways, in irrigation works, not loans which we are going to consider very seriously when the question of the credit of the country comes up for discussion. If my figures are anything like correct, the debt standing against the credit of this country cannot exceed something like the small and paltry figure of 150 crores. What other country in the world, which has had to do with the war, can show such a balance sheet? Surely here must be an avenue for meeting, at all events, a portion of the deficit.

However, there is no question also that a large portion of the deficit will have to be met by excess taxation. If the Honourable the Finance Member has been a little hampered in his budgetting for extra taxation by the sitting of the Fiscal Commission, on which I have the honour to have a seat, in raising his general rate of duties from 11 to 15 per cent, he has, I think, escaped, though perhaps narrowly, the accusation of diverging from the principle of the revenue budget and turning it into a protection one. We will accept the 15 per cent. general rate as a revenue budget on the assumption that we are about at the end of the possibilities of the revenue budget in that direction.

With reference to the details of his Budget, I desire, in the first place, to associate myself most strongly and emphatically with the unanimous condemnation of the taxation of Machinery, Iron and Steel, and Railway Material. (Hear, hear.) The industrialisation of this country is perhaps the strongest cry of its people. Put it as you like, tell us, if you will, that the price has gone down 50 per cent, or 100 per cent, or 200 per cent, it does not matter. By taxing these things before you have available in India the machinery to provide you with all the things required for building up new industrial concerns, you are simply checking the progress of the country. I hope and trust that the Honourable the Finance Member will find it in his power to take this duty off altogether, but, if he does not, surely some one of our friends, at the time of the passing of the Finance Bill, will at all events succeed in carrying an amendment to the effect that any order or contract which had been entered into before the 28th February, 1922, must bear exemption. Otherwise, you are taxing the enterprising business-man of this country most unfairly.

I do not wish to spend much of your valuable time and I will not traverse very many of the items of taxation, but I must say a few words on the most vexed of all the subjects, namely, the Excise duties. Sir, in his treatment of the Cotton Duty problem the Honourable the Finance

Member has, if I may say so, adopted the methods practised by a medical practitioner of the old days. He has found a patient with a disease and he has been called on to prescribe. He has taken his bag with him and he has pulled straight out of it Gregory's Powder and blue pills; he has told the patient he must continue this course which, it is true, has been the course he has had before and he has been hating. All that he gets, however, is more Gregory's Powder and blue pills (Laughter), and more excise. Now, supposing the Honourable the Finance Member had been dealing with the matter as a Harley Street practitioner of the present day would, he would probably have approached the patient with a new remedy; he would have said:

'The medicine that you have been taking is an obnoxious one; do not persist in it; do away with it.'

He would produce out of his bag something sugar-coated, something containing the same real ingredients, but something which would do away with the words 'excise duties' and especially with the word 'countervailing.' Now, gentlemen, to leave this simile for a moment, there is no doubt that, apart from commercial objections to this tax, the real foundation is a sentimental one with which one must have great sympathy. At the same time, there is evidence to show that the present rate of divergence between the excise duty and the import duty is sufficient to allow prosperity to the Bombay millowner. (*A voice:* 'Question.') I am questioned about this. I would refer to newspaper reports of evidence given before the Fiscal Commission by some of the most prominent Bombay millowners. Why not therefore do away with excise, reduce the custom duties to 7½ per cent, and, taking the example of our friends in Japan, bring in a consumption tax, a purely temporary tax to meet this emergency, a tax which would have to be re-introduced every year, a tax which would disappear immediately the present financial stringency was over. In this way we should meet the sentiment of our friends. We should, I think, not unduly damage the industry: and we should also meet the Finance Member's point of view and bring him in the revenue which he says he must have. This consumption duty, I need hardly tell you, is a system adopted in Japan and is levied on both import and export articles alike. It would hit with exactly the same force the cotton going out of the mills, the cotton coming from Lancashire and, what is most important of all, the cotton coming in from Japan. I put this forward as a serious suggestion, by which it is possible that the various divergent opinions about this cotton duty might be brought into union.

12 NOON.

The system of consumption duties might, I think, also be applied to the kerosene tax and the salt tax. Why not call the two extra calls which you are going to make on these two industries, also a consumption tax? My point is, as I have said before, that you would bring it into unity with you regular tax; you bring it in as an emergency measure, realising that it is not desirable, but realising also that you have to get funds for the present. An emergency measure is one that you will take off at the first possible moment, but the same hope cannot be held out for any tax which gets into the actual tariff.

One more item and I have finished. There is one other point which must have struck everybody, namely, that the commercial departments of the Government are working at a loss and taxation is necessary to bring them into a position of solvency. Sir, I could not expect to carry the House with me in the suggestion I am going to make, but it is one made repeatedly by responsible people all over the world. Is not the remedy the denationalisation of these services and the putting of them on a commercial basis? It is almost an accepted fact that the function of Government is not to carry on a business. Railways, Posts and Telegraphs, like Telephones, are a business. I suggest that, unless it is possible in the next few years to get these commercial departments into a solvent state at a lesser charge to the tax-payer and the railway traveller than is at present the case, this question of handing them over to commercial people to manage must be seriously taken into consideration.

The HONOURABLE MR. SETHNA: Sir, within a few days we shall be crossing the threshold of the new official year 1922-23. It will be the second year since the Reforms have come into existence. We are not sufficiently clairvoyant to peer into the future and discern what Fate actually has in store for us. My Honourable Friend, Sir Edgar Holberton, has just now told us that he would dissociate himself with any picture of gloominess in regard to the coming year. On the contrary, the picture portrayed for our benefit by the Honourable the Finance Member is certainly very gloomy and shows that the coming year is to be financially gloomier than the one which is soon to end. It is a matter for regret that the Reforms should have been heralded in with this terrible set-back. But the situation has to be faced and ways and means found whereby in the

years to come instead of deficits we may have surpluses, so that the country may advance faster and on healthier lines the nearer it approaches complete self-government as an integral part of the British Empire. Taxation has been at its heaviest in all the European countries since the war and after; but during the last few months there has been a tendency everywhere in Europe to reduce taxation as far as possible, and the attempt, as we know, is meeting with much success. It is a pity, therefore, that just at this time India should be compelled to raise its taxation and to raise it in a manner never dreamt of in this country. The taxable capacity of any country is not easy to determine, but it will be readily admitted that, as compared to other countries, India is certainly and beyond all question, very poor. If what has been said before be true, that the real annual income of an Indian is £2, as compared with the Englishman's £45: and even if that annual income has increased to-day, as I believe it has, the Legislature will yet have to take great care to see that the tax-payer is not burdened beyond his capacity. Our deficits for the last four years amount to 90 crores of rupees. If this country had not made a free gift of 100 millions Sterling during the war—a gift made without the country being consulted and in a desperate hurry—our balances to-day would have been on the right side.

The expenditure, however, has been growing at an enormous rate, and even if we had not made this free gift of 100 millions Sterling, I admit that at this juncture we would certainly have had to increase our taxation. It is this growing expenditure to which the Legislature must direct its very close attention. Rabid and perversely unfair critics of the type of the present Chairman of the Calcutta Chamber of Commerce, who look upon Indians as both incapable and untrustworthy, who have no faith in the Reforms and much less in those who compose these Councils, will pour forth, in the choice language and style in which they seem to revel and in which they appear to be such great adepts, their vituperations on the heads of those Members of the Legislature like myself who are asking Government before anything else to reduce their military expenditure. These critics will assume that any such attempts on our part are no more than a parrot cry and that Government on no account should reduce its Military expenditure, for otherwise, to use the words of the same critics, they would be juggled out of their birth-right or receive the Order of the Boot. Fortunately for the country, Sir, we have men in the Government of India who think otherwise, and they have already accepted the Resolution of the other House to have a Retrenchment Committee. Sir, that Retrenchment Committee will not be able to go very far, for it will deal only with the Civil expenditure, the total of which amounts to 20 crores. No matter however drastic may be their recommendations, they will not go a long way to meet our heavy deficits. Therefore, Sir, it is the Military expenditure to which we must devote our attention primarily. Reduction seems to be the cry all the world over at the present moment. Only two days ago there was a telegram to the effect that the recommendations of the Geddes Committee of 84 millions to be reduced have been accepted by the Government to the extent of 64 millions, of which 11 millions are reductions as recommended by the Resolutions passed by the Washington Conference. That telegram goes on further to say that in the coming year, the estimates will be 484 millions as against 665 millions, which means a reduction of 24 per cent. If we can but effect a reduction of 24 per cent. in our Budget, the trick is done and there will be no necessity for any further taxation.

Much, Sir, has been said on this vexed question of the Military expenditure in the other House both last year and, I understand, yesterday and the day before. It was my misfortune not to have heard His Excellency the Commander-in-Chief or the Honourable the Finance Member on the defence, I am told, they put up in support of the Military expenditure. But whatever they may have to say it will be a long time before the country at large is convinced that the Military expenditure cannot possibly be reduced. Sir, a note was issued by the Military Department last year and another one I understand has been issued and circulated within the last two days. But neither of these, I repeat, will convince the country that the Military expenditure cannot be reduced, and reduced substantially. In the pre-war days the total of our Military expenditure was only 31 crores. Last year we budgetted for 62¼ crores, but the Finance Member has told us that this figure will reach or has reached 65 crores. In next year's Budget, he gives the estimate at 62½ crores of rupees, which includes, of course, 2½ crores for Waziristan.

In this connection, Sir, I seek some enlightenment from the Honourable the Finance Member. In paragraph 14 of his Budget speech he says:

> 'I have estimated for the Budget purpose the rupee at 1 shilling 4 pence. The debit that will be necessary in our accounts which we still maintain at 2 shillings basis will at this estimate be about 15½ crores, of which 10 crores will appear under the head 'Exchange.'

Now, Sir, what I desire to know is, whether any part of these 10 crores is due in any shape or form to the Military expenditure. (*Sir Malcolm Hailey: 'Yes'*). I get an answer in the affirmative. Then it means that the 62½ crores is not the correct figure, and the Legislature and the public have a right to know how much more has to be added to arrive at the correct figure of our Military Colossus.

Further, why should a part of the Budget be prepared at 1*s.* 4*d.* and another portion at 2*s.*, unless it be that the Government do not desire that the public at large should know the exact amount of the correct Military expenditure until they dive deep into the mysteries of the Budget figures. I certainly think it would be very advisable that we should revert to the old practice of having the Budget prepared at one rate of exchange, be it at 2*s.*, at 1*s.* 8*d.* or at 1*s.* 4*d.* as is determined upon.

Sir, the acquisition of Waziristan has cost the country no end of money and very great loss of life. Now, this is the stumbling block or one of the stumbling blocks of the Military Budget, and certainly it is one of its most objectionable features. During 4 years the country has spent 25 crores of rupees in Waziristan, and what have the Government to show in return for it? Absolutely nothing. . . .

The HONOURABLE SIR MALCOLM HAILEY: May I ask that figure again?

The HONOURABLE MR. SETHNA: 25 crores in 4 years.

The HONOURABLE MR. E. M. COOK: Is that all spent on Waziristan?

The HONOURABLE MR. SETHNA: Yes. Am I wrong?

The HONOURABLE SIR MALCOLM HAILEY: I will see the figure.

The HONOURABLE MR. SETHNA: I repeat that we have spent 25 crores in 4 years and we have got nothing in return for this enormous waste of money; and what is more the Finance Member tells us that there is still the 'indeterminate liability' for Waziristan. This mad adventure must cease, and the sooner it ceases the better for the country at large.

Now, Sir, in regard to the strength of the Army, Government have maintained that it should be kept up at its present level and they cannot possibly reduce not only the strength of the Army, but also its consequent very heavy cost. If the Army cannot be reduced, at least one thing can be done, by which we can effect a saving of 1½ crores. If we are not going to reduce the numbers, I think we can, without impairing the safety of the country, substitute 10,000 Indian troops for 10,000 British troops. Each British soldier costs Rs. 1,971 per annum, and an Indian soldier Rs. 411. Therefore, if there is a substitution of 10,000 Indian troops, we keep the numbers as they are, but we effect a saving of 1 crore and 56 lakhs, and I repeat that in the opinion of the country at large, no matter what the Government might have to say to the contrary, the safety of the country will not be imperilled by such substitution. Our abnormal military expenditure is the root-cause of all our trouble and our heavy deficits and the Legislature must compel Government to agree with us in reducing Military expenditure. I quite understand that the Military expenditure is at present an untouchable item, but it can be very vitally touched if only the Assembly will inform Government that in those items they can touch and deal with they will vote no grants as asked for unless and until Government reduce, and reduce substantially, their Military expenditure.

Even assuming as correct and convincing the figures which Government have placed before us, firstly in regard to the unavoidable and to the inevitable character of the heavy expenditure and the consequent deficit, and even assuming that the best method of meeting this increased expenditure is by adding fresh taxation to the full extent of the deficit, the Legislature has to consider which of the new proposed taxes might be granted and which most scrupulously avoided. The one item above all others, not even excepting the salt tax, which the country to a man must oppose, is the proposed increase in the excise on cotton duty. The increase in salt duty will certainly affect the masses; so will the increase in the cotton excise duty, if not to the same extent to an appreciable extent, but the increase in the excise cotton duty is an insult to the intelligence of the country. The Honourable the Finance Member has informed the Press officially that he has suggested this increase, not due to any wire-pulling, not because he is desirous of appeasing Lancashire, but for the sole purpose of adding to the revenue. I accept his statement, but if we are to be the masters of our own house, are we going to allow ourselves to be taxed in the manner proposed and allow Lancashire to benefit? However spontaneous it might have come to the Finance Member to raise cotton excise duty, he will have to admit that this increase of 4 per cent. certainly will benefit Lancashire. . . .

The HONOURABLE MR. E. M. COOK: 'No'.

The HONOURABLE MR. SETHNA: It is true that there is also a similar increase of 4 per cent. on imports, but does not my Honourable friend know that, according to the proposed new taxation the local producers of cloth, in addition to the 4 per cent. which they will pay, will also have to pay, instead of 11 per cent., 15 per cent. on the sizing material, the stores, and the accessories they will purchase for their mills? They will have to pay four times as much on the import of new machinery and a higher income-tax. I have with me here the figures of an average mill in Bombay with which I am connected, and according to these figures I roughly make out that the increases in the items I have referred to will give an advantage of more than 2 per cent. to Lancashire. (*A voice*: 'What about yarn?') My Honourable friend says, 'What about yarn?' The percentage of foreign imported yarn which the cotton mills use is negligible. Imported yarn is mostly used by hand loom weavers.

Moreover, the productions of cloth of Indian mills are of qualities which are meant for the masses, not for the classes, and why should the masses be taxed any further than what they are already? But above all, the self-respect of the country demands that we should absolutely negative any suggestion for the increase of the excise duty. May we ask why, during the worst days of the war, when so much money was needed, when taxation of all possible kinds was resorted to England never dreamt of raising one penny from its cotton excise? Is there any cotton excise duty in any of the self-governing colonies? Will any British statesman have had the hardihood of proposing such a duty to Australia, to New Zealand, to Canada or to South Africa? Is it not monstrous therefore, and one cannot use a milder term, for the Government of India to come forward with such a proposal just when Great Britain has promised India self-government and has already contributed a first instalment towards that direction to raise the cotton excise duty? Are not the Government of India aware that in England not only the Ministers but the whole country are cognisant of the views we hold on the subject? I will quote a few sentences from the reply which the Right Honourable Mr. Montagu gave to the deputation from Lancashire that waited on him on the 23rd March last year. He said:

> 'The Government of India would have had to propose to their Legislative Assembly duties upon cotton coupled with a corresponding excise. That Legislative Assembly contains an overwhelming majority of Members fresh from the constituencies upon whose vote the issue would be decided. I do not hesitate to say as a mere hypothesis and prophecy that there would not be one single Member of that elected majority that would have voted for an excise duty upon cotton goods. They do not believe in it. They are protectionists; they prefer to get their revenue from protection; and the consequence would have been that your Bill would have been defeated in the Legislative Assembly.'

He further said:—

> 'Whatever be the right fiscal policy for India, for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa.'

The total amount of duty to be collected from imports and excise is 5 crores and 45 lakhs. My Honourable Friend, Sir Edgar Holberton, has suggested some means of avoiding cotton excise and charging what he calls consumption duties. I say, Sir, that the country would ten times sooner agree to increase the import duty from 15 to 20 per cent. or even 25 per cent. rather than consent to pay even a fraction of one per cent. in the shape of an increase of cotton excise duty.

Sir, the controversy on the cotton excise has been very bitter for years past; in fact, it has been an open sore for the last 20 or 25 years; but the country was greatly relieved when Lord Hardinge, in winding up the Budget debate of 1916-17, observed as follows:

> 'The Government of India have no desire to create controversy here, in England or anywhere else at the present time by the discussion of questions affecting Indian interests, but they are glad to have had the opportunity of placing on official record their views that the import duties on cotton fabrics should be raised, and that the excise duty should for the present remain at its actual figure and an assurance given that it would be abolished as soon as financial considerations will permit.'

We hoped that by this pronouncement Lord Hardinge had sounded the death-knell of this most obnoxious impost. Surely, my Honourable Friend, Sir Malcolm Hailey, could not have lost sight of this solemn pledge, and he must have spoken with his tongue in his cheek when this day last week, no matter however urgent the demand for more money, he came forward in all earnestness to propose an increase in the very cotton excise duties which Government have definitely promised to repeal altogether as soon as circumstances permit of their doing so.

I too should also like to say a word in regard to the increased duty on Machinery. I say that the proposal to increase this duty, which was for the first time levied at only 2½ per cent, a year ago, to 10 per cent. from

this year will lay the Government of India open to the charge of deliberately holding back the progress of the country. It is only of late that India has taken kindly to industries. I admit that perhaps 10 per cent. will not kill industries, but it will certainly retard their progress. I also know that the levying of a 10 per cent. duty will, with one stroke of the pen, enhance the value of existing plants; but Government ought to see to the future prosperity of the country, and we want India to progress and this duty will give it a serious check. Under this head Government expect an additional revenue of 4 crores and 5 lakhs of rupees. This head includes Iron and Steel and Railway Material. If machinery were dropped, and the duty, instead of being 10 per cent. on Iron and Steel, were raised to much more, it would give a great fillip to the Iron and Steel industry of this country, and enable more such concerns to be started. (*A voice:* Like Tata's '). Not only Tata's but others in Calcutta, and if this protection is given to this trade many more concerns would come into existence sooner than they otherwise would.

I do not desire to exceed my time-limit. Much can said in regard to Postal and Railway charges, but all I would like to point out is, that we ought to profit by the experience of Great Britain. We read just the other day that the London Brighton and South Chatham Railway alone carried nine million fewer passengers last year and the underground railways and omnibuses showed a combined decrease of 72 million passengers in the same period due to higher fares.

In regard to Postage rates I quote from the ' Outlook,' which says:

> 'That the Postmaster General predicted an increase for the last half year £5,250,000 from the higher postage. It now appears that the increase obtained was £250,000 or four per cent. of that estimated. . . . . An apologist might reply that a greater part of the discrepancy of 96 per cent. between revenue estimated and revenue obtained can be accounted for by the business collapse: but the collapse has taken place when the estimate was made, and there is still less warrant in a bad business period than in a good one for an attempt to raise the cost of doing business.'

We can say with equal justice that business in this country is also in a bad way and Government should be careful before they increase both their Railway fares and their Postal charges. Last year an attempt was made to raise fresh taxes from the better classes, from people who could conveniently afford them. This year the additional taxation is to come as much from the rich as from the poor, and the poor will be severely affected by the increases in the Salt tax, on Kerosene Oil, on Matches, Cotton excise, higher Postal charges and Railway fares. And not only will they increase the cost of living but, as has been pointed out by the Honourable Sir Maneckji Dadabhoy, they will add very greatly to the existing political and economic discontent in this country. In retrenchment and retrenchment alone is our salvation, and the severest pruning must, of course, be in the military expenditure. If thereafter more money is still needed, then will be the time for us to see which particular taxes might be agreed to. But at all costs we should leave out, first of all, increase on Cotton excise, increase on Machinery, increase on the Salt tax, and also leave alone the quarter anna post-card, for these taxes will not only retard the progress of the country, but also prove a greater burden than the poor of this country can possibly bear.

The Honourable MR. V. G. KALE: Sir, the Budget has been characterised by different speakers by different words. I would like to call the Budget an impossible Budget, because it is not possible for the country to stand the huge taxation which it is sought to impose upon the people. The situation to which we have been reduced financially has been due mainly to three causes. There are, first, the world causes which have been in operation and which have affected India in common with other countries. Secondly, there have been special causes to which we must attribute the present financial stringency and taxational difficulties, and they are principally due to the contribution which India made to the prosecution of the War. Very few people realise the great extent to which India made sacrifices for the successful prosecution of the War, direct and indirect. Apart from the War contribution of 150 crores, India had been disbursing large amounts of money on behalf of His Majesty's Government. We received payment for these disbursements in England. Funds accumulated in very large quantities in London, with the result that the whole of our Exchange system was disturbed and dislocated, and the consequences are being felt even at the present moment. My Honourable Friend, Mr. Sethna, inquired whether the Budget was made up on two different bases—the 24 pence and the 16 pence basis. The very fact that such a question is put in this Council must show what a confusion has been created in our financial arrangements and in the accounts that we keep, by the part that India has played in the prosecution of the War. The Budget has been placed, so far as I understand the subject, not on two different bases, but one basis—16 pence to the

rupee; but the accounts are being maintained upon the old basis which was adopted two years ago *viz.*, the 2 shillings basis, and so far as remittances from this country to London are concerned, that is to say, the Home Charges and other amounts which we are remitting to London are concerned, there is the distinction between the two different basis. But the very fact that we have to assign 15 crores of rupees to the item of Exchange and another 9½ crores on capital account, goes to indicate to what straits the financial management of India has been reduced. And here I come to the third cause. The Government would not like that the word ' mismanagement ' or ' maladministration ' should be used in connection with the management of India's finances. Whatever word you may use, however, the situation is there. Not only is a heavy load of taxation being imposed on the country in the coming year, but the heavy burden of debt, permanent and floating, which has been already incurred, is not likely to be reduced for several years to come. Now, the important point I wish to make in connection with the proposals for taxation is, that there must always be a reasonable proportion between national income and national taxation, and I want to inquire whether the next year's Budget shows a proper relation between the two. I will not go into the detailed calculations of the average income per head of the population in this country. Assuming that income to be Rs. 50 or Rs. 60, which is very doubtful, but assuming it to be Rs. 50 per head per year—the large masses of the people must be taken to have an average income of not more than Rs. 20 to Rs. 25—which means Rs. 2 or Rs. 2-8 per month. Can we imagine a man, woman or child living on Rs. 2-8 per month, and at the same time, being called upon to pay more for all the necessaries of life? for food, for salt, for kerosene, for matches, and, what is more important, for clothing? Can you imagine a person on Rs. 3 or Rs. 2-8 a month, being called upon to spend more? We are told that the contribution on account of the increase in the salt tax is very small. But you have got to take that contribution along with the other contributions. Taken by itself, every tax is small; but after all, the burden on the back of the tax-payer is composed of a number of taxes, and for the next year these taxes have all been increased, and most of them are going to hit the masses of the people very hard. We know that prices in the country are very high. The index number of prices is still higher by nearly 75 to 80 per cent. than it was in 1913-14. The cost of living has gone up on all sides, and the Government may take it that the common mass of the people of India have been compelled to reduce their expenditure upon necessaries of life, upon food, and upon clothing. The masses of the people are postponing the purchase of clothes and they are limiting their expenditure to absolute minimum necessaries of life on which their health depends. Under these circumstances, how is it possible for the people to agree to the taxes which are being proposed? I can understand additional taxes being imposed upon profits, and upon higher incomes, but almost all these proposals of which I have been speaking, are proposals for the taxation of the poorer classes. Before the war, Government statisticians used to say that the prosperity of the country was increasing because it was reflected in the increasing imports of certain comforts and luxuries of life which were used by the masses. The finger was laid on the import of articles such as matches, soap and tinned sheets for the roofing of houses. What has happened to these articles? Their prices are going to be still further increased. Apart from all amenities of life, apart from all conveniences being reduced and denied to the people, the very necessaries of life are going to be cut down and taxed. I find from the observations made by the London ' Times ' that the Indian people are asked to remember that the constitutional and social progress of India must involve a considerable cost and that the budget before us is the price the Indian people must pay for reform and progress. I would gladly agree to this proposition if the budget were going to make for greater social and political progress. What social or economic advancement is proposed as a result of the budget? I must say that the budget is the most uninspiring budget that I have ever read, the most dismal budget that it has been my fortune to read; (*A voice*: 'Misfortune'!) yes, my misfortune to read. There is no proposal in the budget with regard to social reform and social advancement. There can be no provision for social advancement and economic reform because the new taxes are required solely for making up deficits; and one does not know for how many years these deficits will have to be continued, and thus social progress will have to be arrested. Along with the finances of the Central Government, we cannot forget the finances of the provinces, because the masses of people will be called upon to bear the central as well as provincial taxes; and the total burden of the taxes made up in this way from central taxation, provincial taxation and local taxation, will be very huge indeed! When Government is asked to set about certain reforms of social or economic character we are met with a reply that it is not possible. ' Inquiries will have to be made, which will take a long time; and retrenchment and

economy are not practical.' Under these circumstances, what is it that we are expected to do? The Government comes before us and says:

> '**Well, this is our budget. We cannot cut down expenditure by a single crore. You must, however, help us in putting on these taxes.**'

I am very glad to find that my Honourable Friend, Sir Maneckji Dadabhoy, at the outset of his speech, was courageous enough to say that, if this budget is to stand as it is, it will not be possible for him to support Government or to co-operate with Government. (*A voice*: 'Co-operate so far as the budget is concerned.') I do not mean anything else. If such a great friend of Government as the Honourable Sir Maneckji Dadabhoy makes this observation, (*A voice*: 'He is often an opponent too.') I shall be pardoned if I say that the representatives of the people in this House are placed in an extremely awkward position. Government wants us to support their budget. And we shall be regarded as irresponsible critics if we do not allow and help Government to cover the whole deficit by means of additional taxation. Irresponsible, certainly we are! But we cannot help it; we are not to blame for it. We cannot say to Government—

> '**Well, step aside, and we shall show you how to carry on the financial management of the country satisfactorily.**'

It is not within our power to say that, and consequently all we are expected to do is to support Government. But how can we do it? Consistently with our honest convictions, consistently with the interests of the public, and above all, consistently with our consciences, it is not possible for us to support the proposed taxational measures. The people cannot stand the additional taxation, and honestly and sincerely I think it is a budget which takes out of the small earnings and incomes of the people more than it ought to do. The cost of living will materially increase as a result of this budget. The cost of production will go up everywhere and we shall be moving in a vicious circle. The cost of administration has been increased because the cost of living has been increased. Now, the cost of living has again been increased by additional taxation, and the cost of administration consequently will also be further increased. We shall go on round and round and it will be an endless business. The industry and trade of the country will be handicapped on account of the increased cost of living, and this increased cost of living will cause a very great hardship to the poor. When you are going to tax the poor and the middle and lower classes, you can imagine what the condition of an average family will be? Everything is costing higher. Even education is costing higher. The Government of Bombay have recently issued a press note increasing even the High School fees. A poor family with two children learning and reading in a high school will find education a costly luxury beyond their reach. Even elementary education, which is to-day a luxury to the masses, will become impossible for them. Consequently, socially, morally, intellectually and materially, a great set-back will be given to the advancement of the country by this budget. My friends who are intimately connected with trade and industry, have made observations on that part of the budget which relates to taxes upon Trades and Industries. I will not, therefore, detain the Council with any remarks of mine on that subject. I shall, however, say one thing with regard to the Excise duties. I will look at them from the consumer's point of view, and I must say that the consumer will find that the price of his cloth has gone up as a result of the excise duty. The manufacturers will take care of themselves. The millowners in India, at the present moment, have practically a monopoly in the supply of cloth. On account of the increased duty on imports and on account of the limited quantity of cloth turned out by the Indian mills, they are practically in the position of monopolists, and as such, they can coolly pass on the increased Excise duty to the shoulders of the consumers. The consumer will be the sufferer, because millowners are not philanthropists; and, if they can help it, certainly they will shift to the consumer the Excise duty wholly or partially. From the point of view of the interests of the consumer, therefore, I oppose the Excise duty. I do not want that the cloth of the poor should further go up in price. If you look into the statistics of imports and production of cloth for the last few years, you will find that the quantity of cotton cloth per head of the population that is used by the people in India, has gone down very materially. Before the war, it used to be about 13 yards per head. During the war, it was about 9 yards per head, and I am doubtful whether it would be possible in the near future for the people of India to have even 9 yards of cloth per head of the population on the average to clothe themselves. People will be under-clothed and under-fed, and this will lead to a material deterioration in the moral, intellectual and economic condition of the country. Consequently, the taxes upon Salt, Cloth, Kerosene and Matches are the taxes which ought not to be thought of. If the Government cannot do without additional taxation, let the taxes be imposed upon the shoulders that are broad enough to bear them. Let the poor people—and the majority of the people of this country are poor cultivators—not be

hit by these high taxes. According to the showing of Government itself, high prices of these commodities hit the lower class of the people. If I am not mistaken, in the memorandum submitted by the Government of India for the consideration of the Babington Smith Committee, they stated that high prices were pressing on the majority of people hard. Indeed, the present proposals of Government are calculated to have the same effect. Let Government pause before they finally make up their mind to insist upon the present proposals of taxation being carried out. All we can say is that we cannot conscientiously agree, having regard both to our honest convictions and the interests of the public, to support the taxes which have been laid before us. If any other proposals are placed before us, we shall consider them and give them such support as we can.

The HONOURABLE SIR ARTHUR FROOM: Sir, in discussing an important matter like the Budget, it is very difficult to refrain from referring frequently to the Honourable the Finance Member either by his official name or by the name of the Honourable Sir Malcolm Hailey; but I think I am expressing the feelings of all the Members of this Council when I say, that, although we have frequently to refer to him either by his official name or by his personal name, such criticisms as we make are really intended in a friendly spirit; even if at times they appear to be acrimonious; our idea is to assist Government and not to place obstacles in their way. I fully recognise, and I think all the Members of this Council recognise, the difficulties which have beset the Honourable the Finance Member in presenting a Budget to the Legislature which means increased taxation. Increased taxation is never welcome, and, although many Members of the Legislature have held up their hands in horror and exclaimed 'Oh! this Budget,' I cannot but think that, in many respects, it was only what we expected.

I will first turn to the expenditure side, Sir, and here at once, of course, I come to the Military expenditure. I cannot help thinking that His Excellency the Commander-in-Chief must feel extremely flattered at the amount of time and discussion which is devoted to the department over which he so ably presides. I should like to say at the outset that I am in thorough agreement with what has been stated by both His Excellency the Commander-in-Chief and by the Honourable the Finance Member that the Military Budget cannot be reduced. I am thoroughly convinced by what has been stated, that the Army Department has done all it can to economise. We know the reasons why the Military expenditure cannot present a more favourable aspect to the Legislature. The chief of them is the increased cost of everything. Honourable Members of this Council will remember the general outcry for increased wages throughout the country, which outcry has been liberally met and is materially reflected in the price of everything, of food, of clothing, and of material; and the Army Department feel that as much as the rest of us do. Then, again, the Railway charges have gone up, and the Army Department feel that acutely in moving their troops about. They move their troops about, I understand, much more often than they wish to do to quell internal disturbances. The Waziristan policy has been criticised. I do not pretend to be an expert on it, but I do understand this much about it and that is, when the North-West Frontier is frequently being raided, what would any other Honourable Member of this Council, besides His Excellency the Commander-in-Chief, do? What would Honourable Members think it the best thing to do? Would they sit inside the borders and wait to repel repeated attacks which result in a disastrous loss of lives of innocent people, or would they not go straight for the heart of the disease and go into the enemy's country and fight it out there? That, I understand, is the policy which His Excellency the Commander-in-Chief is taking up at present.

There is another matter to which I would like to draw the attention of this Council in connection with the Military expenditure which is the amount which we have to pay for the safety of this great country of India, safety from invasion and internal disorder. In paying for the safety of this great country we do not pay one single pie for the safety of her sea borders, and I think Honourable Members should remember that in discussing this expenditure, when they lift up their voices and say what a dreadful amount we are spending for defence. Supposing you had your own Navy to support too. I have heard in many quarters that an Indian Navy would be liked and welcomed. I do not know whether it would be liked and welcomed if we had to pay for it. We are often compared with Japan. Now, Japan supports a very large Army; it also maintains a very large Navy; and in their financial year 1921-22, the cost of their Navy was £70 millions, or a third of their whole Budget. India has not got that to face at all, and I think that we should meet this Military expenditure which I am convinced is necessary for the internal and external security of this country. We should face it as cheerfully as we can.

There is another point in connection with this. I feel sure, Sir, that Members of this Council are most of them possessed of a lively imagination, and this lively imagination, I think, might be directed in this way. Cannot you imagine the discussions which have ensued between His Excellency the Commander-in-Chief and the Honourable the Finance Member before the Finance Member would agree to the amount to be set aside for Army expenditure. I feel quite sure that the Honourable Member must have had, if he will permit me to say so, many scraps with His Excellency the Commander-in-Chief over the amount. The Honourable the Finance Member must have said 'Cannot you reduce this, cannot you reduce the other'. I feel sure that in presenting his Budget the Honourable the Finance Member did not want to have a bigger Army expenditure than could possibly be fixed with equity. And, when in support of His Excellency the Commander-in-Chief the Honourable the Finance Member says that he is not prepared to recommend any reduction of the amount set aside for military expenditure, I think Members of this Council should accept it. (*Cries of 'No, no'.*)

Well, so much, Sir, for the expenditure side of the Budget. I now come to the revenue side. First of all, as regards the increase in Railway fares. There is one small matter about which I am not clear in this connection. The Honourable the Finance Member in his speech pointed out that, after the application of the increased Railway fares, it was estimated that the Railways would work at a loss of a crore of rupees . . .

The HONOURABLE SIR MALCOLM HAILEY: Increased goods rates.

The HONOURABLE SIR ARTHUR FROOM: Thank you, Sir, I intended to say goods rates. After the application of the revised freights on goods the Honourable the Finance Member estimated that Railways would work at a loss of a crore of rupees. Later on the 25 per cent. increase of Railway fares was referred to, and six crores is expected to result from that. Then six crores is taken into the credit side. Do I understand that we are to get 7 crores from the increased passenger fares?

The HONOURABLE SIR MALCOLM HAILEY: No, 6 crores.

The HONOURABLE SIR ARTHUR FROOM: Railways will then show a net credit in the Budget of 5 and not 6 crores. That brings down the total Budget Revenue to 28 crores and not 29. I will leave that point and hope the Honourable the Finance Member will explain that later on.

I have no particular remarks to offer as regards the income-tax and super-tax. We have got to swallow it. We do not like it, but we have to find money from somewhere.

We have heard a good deal of discussion about Salt, Matches and Kerosene, and about the poor man's tax. Well, last year when it was proposed to increase the Postal charges I have lively recollections of hearing a good deal about this poor man; in fact, the 'poor man' flag was put up and waved everywhere and we were supposed to be the oppressors of the poor man. I have never been quite convinced that my friends were not playing to the gallery of their constituencies . . .

1 P.M.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I rise to a point of order. I do not know whether that remark is correct.

The HONOURABLE SIR ARTHUR FROOM: I meant nothing rude in any way. I did not intend to cast a reflection on Honourable Members. The remark was only made in the course of debate. But where is your poor man in this country that we hear such a lot about? Is he the mill-hand on my side of India? If he is, then that poor man works on an average about three or four days a week instead of six. His wages have been increased, and now he won't do his work in the same way that he used to. We have found the same thing in some works with which I am connected. They work on an average four days a week instead of six, and yet they are called poor men. I say that they can afford to pay this tax and do another day's work.

Now we come down to Machinery. Here I am afraid I must join in the cry against the additional taxation. I do not like this tax of 10 per cent. when there was none a year ago. I agree with what my friend, Sir Edgar Holberton has said about it being a drag on industrial development, and if the Honourable the Finance Member does not propose to forego it altogether, let him at any rate reduce the proposed tax considerably. I also agree with my Honourable Friend, Sir Edgar Holberton, that those orders which have been placed before the introduction of this Budget should be allowed in free of the new tax. It might be contended that that would create a dangerous precedent, and that we might want to get our already ordered whisky in free of the increased tax also. But that is not so; what I want to point out is that Machinery which is intended

for a new industry is coming to a non-paying concern, and therefore you will be charging capital if you insist on levying this increased tax on orders which have already been placed and which were placed on calculations based on the 2½ per cent. import tax.

Finally, Sir, I come to this vexed question of Cotton excise. I do not propose to plunge into a deep whirlpool of discussion in connection with this. Although I am from Bombay I am not a millowner. Sir Edgar Holberton in discussing this matter gave the debate a medical turn, and talked about blue pills and Gregory's powder, and eventually arrived at 'consumption.' I do not know whether that was the result of the Gregory's powder and blue pills. I cannot help thinking that he must at one time have had a medical training. I know nothing about the consumption tax. I do not propose to discuss it now. It is obvious that the result of this Excise duty and the increase in import duties will spell higher prices in cloth. That I think will be felt very hardly throughout this country. At the same time, I recognise that Government has to get the money, and I do not think the view of the millowners will be adverse to this tax. The millowners, I believe, were perfectly well satisfied with the margin of 7½ per cent. which existed before the new Budget was introduced, and that margin of 7½ per cent. is still maintained. One of the Honourable Members speaking before me said that this increased Excise tax was an insult to the intelligence of the country. Well, the insult is so extraordinary that in Bombay when the details of the Budget became known most mill shares jumped up 10 points. (Laughter.)

I will not detain this House any longer. I do not think the Budget is a bad one on the whole. I do not like the Machinery tax. The Cotton excise will mean higher priced cloth for the people. I leave it to the other Members to fight their battles over that with the Finance Member. But, as I have said, Sir, I do not think that the Budget should be so adversely criticised as a whole as it has been, and I must congratulate the Honourable Member in charge of the Finance Department on the way in which he has faced a very difficult task.

The HONOURABLE RAJA SIR HARNAM SINGH: Sir, I sympathise with the Honourable the Finance Member. The financial situation, as he pointed out, is very difficult indeed. The revenue of the current year has fallen far below our expectations, whereas the expenditure has gone up beyond the estimate. As a consequence, the present year will probably close with a deficit of no less than 34 crores. The outlook for the next year is no less gloomy, although the Honourable Member has tried his best to increase the revenue by all possible means.

It is not difficult to see that abnormal and difficult conditions have prevailed in India for the last few years, seriously affecting the financial situation of the country. There has been a general depression of trade, and the poor monsoon of 1920 made the financial position worse. Economic and political causes have also affected the trade, and consequently the revenue of the country. I am aware that India has shared with all the other countries of the world the financial burdens which the world-war has entailed. But, in spite of these facts, we cannot with equanimity face the heavy deficits that are confronting us year after year. Increased taxation may cover part of the estimated deficit next year; but I do not think it can completely fill the gap between the national revenue and expenditure. The national debt will, therefore, increase and the financial stability of the country will be endangered. The increased rate of interest of the new loans shows that the credit of India is not now so good as it used to be in the past. Every debt incurred adds a fresh burden to the already overburdened finances of the country. On the other hand, the increased taxation will not only involve serious hardship and difficulties on the people, and increase their discontent, but its effect on trade will be very discouraging. I shall not be surprised if this aggravates the trade depression which has been a contributory cause of the heavy deficit of the present year. There is another point with regard to taxation to which I want to draw the attention of this Chamber. Increased taxation does not always add to the revenue of the country. It raises prices, and makes the poor man pay more for the necessaries of life. But there is a limit to the resources of the people; and the poor accept privation, and the rich choose to give up the luxuries which they cannot afford. Consumption decreases, and trade suffers; but the national income may not increase in proportion.

Sir, I do not believe in taxing the poor people of this country beyond a just and fair limit. The Salt tax, for instance, will involve a great privation to the people. Salt is not only necessary for man; but also for cattle; and the burden on the poor farmers and agriculturists will be disproportionately heavy. I may also here point out that, in addition to these Imperial taxes, the Provinces will levy their own local taxes. This means naturally a double burden on the people.

Sir, I am inclined to think that the financial resources of the Government cannot be further increased without serious consequences, unless the prosperity of the country is assured by the rapid growth of productive industries in the country. But although I am not a pessimist I do not see a very brilliant prospect in this direction. The conditions, I am sure, will improve in time; but there are no signs, I am afraid, of an immediate and sure progress. The monsoon may play the same tricks, our foreign trade may not flourish for some time, Economic and Political causes may still operate against us. Sir, I do not like to hold before the House the dark side of the picture any longer. There is only one possible way of saving the country from an approaching bankruptcy, namely, Economy and Retrenchment.

The Military expenditure has gone up by leaps and bounds in the recent past. It now absorbs the major portion of the national income. This is really a serious question. The Washington Conference ought to have some effect on the Military expenditure in India. Public opinion is unanimous in India on this point. The financial position of India cannot effectively be improved without revising our Military policy, and moderating our Military expenditure.

Sir, I really do not know what the financial future of India is. When every year closes with a heavy deficit, and the national debt is gradually piling up, when instead of providing for the payment of old debts, we incur fresh ones, I cannot call the prospect at all cheerful.

Although I appreciate the difficulties of the Honourable the Finance Member, yet I cannot help thinking that the present Budget, as it has been presented, is extremely unsatisfactory and discouraging.

The HONOURABLE LALA SUKHBIR SINHA: Sir, so far as my opinion goes the Budget as placed before this Council is most unsatisfactory and most disappointing. By this I do not mean to say that the Finance Member has not made efforts to make the Budget as satisfactory as possible. I think he has done his best, but I am sorry to say that he has failed in his efforts. He has taken the easiest possible way to meet the expenditure, that is by raising revenue from new taxation or by raising the duties. He said in his speech that there are three courses to meet expenditure, the first is to finance the deficit, the second to curtail expenditure, and the third is to raise revenues from new taxation. Sir, to my mind he has taken the last and the easiest course to meet expenditure. He has not taken into consideration the poverty of the country. He has not taken into consideration that the people here get only about Rs. 30 or 40 a year per head, out of which they have to pay about Rs. 7 a year or one-sixth of the income. Out of the Rs. 40, the income per head of the population, they have to pay for their food-stuffs, for their clothing, for the education of their children and for many other expenses, festivals, marriages, and so on. It is impossible and inconceivable for anybody to see how they manage and afford to live on this income and bear the expenditure which I have mentioned. Sir, during the last three years, the deficit has been not less than 90 crores. Last year the deficit was about 20 crores, and we expected that this year there would be no deficit. But it has gone up to 34 crores. I do not understand, Sir, how long this state of affairs will continue and how long these deficits will have to be made up by new taxation or increased duties. In the whole world, I admit, that the price of food-stuffs has gone up, but there is a limit to everything. If the expenditure has gone up the revenue has gone up, and it is for the Finance Member to see that the expenditure and revenue are kept within bounds, and to see that the expenditure does not exceed the revenue. The coat should be cut according to the cloth. The expenditure should be so arranged as not to exceed the income. If it exceeds the income, then there will soon be a day when we shall be bankrupts, and I think this country is sure to approach bankruptcy if efforts will not be made to keep the expenditure within bounds.

Sir, as regards expenditure, we find that in the Military Department not less than 52 per cent. is spent. In the Brussels Conference and the Nations League it is laid down that Military expenditure in any country should not exceed 20 per cent., but here it has gone up to 52 per cent. I was present yesterday in the Assembly and I heard what His Excellency the Commander-in-Chief said in support of his Budget. I quite agree with him that the country requires a sufficient Army for the external and internal peace of the country. But, Sir, I want to know why expenditure has gone up to 63 crores when it was only about 30 crores before the war. It is said that it is due to high prices that the expenditure has gone up. But so far as I know the prices have gone up by about 50 per cent. In that case the Military expenditure should not have gone up over 45 crores at the most. But we find that 58 crores have been spent on the

ordinary Army and about 3 crores on Waziristan frontier. Some Honourable Members have said that the money spent on Waziristan has been a waste. I differ from them. I say that this money is not a waste, but it has been a gain to the country. We do not like the frontier people of Waziristan to raid our country. It is the duty of the Government to protect us from external raids and attacks, but the question is, what special reason has now cropped up to spend more money than was spent in the past? This question of the frontier has been for generations before us and Government have spent a good deal of money on the frontier. I think the Government should devise means either to make that frontier permanent in some way or other, or to devise means to have a permanent Army there, so that it may not be said that the amount spent there is a waste of extra expenditure. In the Army, I am ready to say, there is a large margin for reduction. In the Assembly as well as in this House, much has been said on this subject, and I appeal to His Excellency the Commander-in-Chief to see how much reduction can be made in his department having regard to the number and efficiency of the Army. I do not mean to say that the Army should be reduced too low or that the efficiency should not be maintained; but what I say is, that there should be a limit put to the number of Military forces. In this connection I may say whether it is possible or not to reduce the British soldiers. There are at present not less than 80,000 British soldiers. Besides this, almost all the superior officers are Europeans. Is it not possible to Indianise the Army ? Is it not possible to reduce the number of British soldiers as soon as possible? Is it not possible to reduce the expenditure in the Supply and Transport department, in which we find that a large amount of money is taken by middlemen, by contractors? It has been stated that the Military is also required for internal peace and especially at this time when there is so much discontent in the country. I beg to submit, Sir, that in no country sedition or discontent has been put down by force or rather by Military force. It is only by constitutional means and by a conciliatory policy that the people can be kept contented and satisfied. I do not know how long this military force will be utilised to put down the people, to put down discontent in the country, and how much money will be required to do so. I quite disagree with this policy of using military force to put down discontent in the country. The Government ought to take constitutional steps, ought to take such conciliatory steps as may satisfy the people, and not to use military force.

I may suggest one thing more to His Excellency the Commander-in-Chief, namely, that instead of having a standing army he may have more Territorial and Reserve forces. They will cost less and be utilised when the time comes for their help and use.

As regards the civil side, I find that from the pre-war times the expenditure has increased by not less than 70 per cent. In pre-war times the total was about 50 crores, now it has gone up to about 90 crores. Sir, I do not find any reason why in the Central Government, in those departments, in which many subjects have been provincialised and transferred, reduction has not been made. For instance, I may mention the departments of Forest, Agriculture, Irrigation, Medical, Education, Sanitation, Public Health, Industries and Commerce. When all these subjects have been transferred and have become Provincial, I do not understand why any reduction has not been made in the Central Government in these departments. The object of the Reforms Scheme is to make Provincial Governments as free as possible from the intervention of the Central Government. I do not see any reason why a reduction in these departments should not be made as soon as possible.

From the Budget I find that India has to suffer a great loss from Exchange. Much has been said about this question by experts, but what I find is that until and unless a Gold standard is introduced in the country, this question will always remain, and I find the time has come when the Government of India should appoint a Committee or take some other steps to settle this question once and for all, otherwise this question of Exchange shall always trouble us, and we cannot know where we stand as regards our finances.

Sir, the object of putting the Budget before the Legislative Assembly so far as I can understand, is to allow the Members to criticise it in the best possible spirit and to put forward suggestions for the consideration of the Finance Member. If the Finance Member thinks that whatever he has made up in his mind to do, he will not budge an inch from that, and will not take into consideration any suggestions that are proposed to him by the Indian Legislature, then there can be no question about it. He may do what he likes. But, Sir, I submit it is for him to consider suggestions and proposals that are made in both these Houses of the Legislature. We are ready to support him, ready to put before him suggestions in order to make his Budget as agreeable and as satisfactory as possible. The Budget put

before the country is very disagreeable. It will touch the poor more than the others. For instance, he has proposed Excise duty on Cotton manufacture. I think this duty is bound to pass on to the consumer. The price of cotton cloth made in this country will be more expensive, and the poor people will feel it. Similarly, it is the case with regard to Salt. For many years past no effort has been made to increase the duty on Salt, but it has been rather reduced year after year, as it is used not only by human beings but mostly by cattle. India is an agricultural country, and if salt is not available for cattle, I do not know how the cattle will be able to work.

Then, Sir, post-cards. The Postal Department is not meant to be a source of income. It is a service for the people and should not be made a source of income. At present I find it has already given some net receipts of about one crore (*A voice*: 'There has been a net loss.') If any net loss has to be made up, then the Finance Member has some reason for raising the charges, but it is a question whether the post-card should be made half-anna or some other postage should be increased, because the post-card is generally used by the poor who cannot afford to use half-anna cards or one anna postage. If the Honourable the Finance Member can find his way to keep the post-card as it is and increase other postage, I think there will not be so much objection; but the chief objection is to the increase of the cost of post-cards. I think the House may remember that there was a great deal of objection to an increase in the case of post-cards last year, and after great discussion it was dropped and in addition to the half-anna postage a postage of nine pies was introduced as a compromise. But it is now found that the income from nine pies postage has not been sufficient, and therefore both this and the half-anna postage are going to be abolished and the one anna postage only is going to remain.

Then, Sir, it is proposed to put a duty on Machinery at 10 per cent. It is already admitted that India is very poor as regards industries, and every effort is now made by Government as well as by the public to develop its industries; but this duty of 10 per cent. will set back this development.

My friend, Sir Maneckji Dadabhoy, has proposed some new items of taxation that should be considered. One of them is to increase the duty on yarn. I think he is quite fair in making this suggestion. If yarn is taxed, say at 15 per cent, I think there would be no objection.

Then there may be an export duty on Bones and other Manures. It will bring a revenue as well as prevent a very useful commodity from going out of the country, as Bones are badly wanted for the agricultural prosperity of the country.

With these few remarks I appeal to the Honourable the Finance Member to recast his Budget in the light of the suggestions and proposals made in this House and in the Assembly. If he will not do so, the present Budget will not be accepted by the public, and the present political situation will, I am afraid, be worse than ever. These non-co-operators are going about the country and have already begun within the last week saying to the people that the Government is going to tax you more and more and where will you be? The consideration of the present political situation is of great consequence at this moment, and therefore I appeal to the Finance Member to reconsider his Budget and recast it as much as he can, in order to make it more agreeable to the people.

[At this stage the Council adjourned for Lunch till Two-thirty of the Clock.]

---

The Council re-assembled after Lunch at Two-thirty of the Clock, with the Honourable the President in the Chair.

The HONOURABLE KHAN BAHADUR AHMEDTHAMBY MARICAIR: Sir, I congratulate the Honourable the Finance Member for the able manner in which the Budget has been prepared. It is by no means an easy task to work at figures and put them in its proper form as presented before this House, and I quite realise the pains he has taken.

In this connection, I desire to make a few observations on this very important deliberation. I do not know whether it is necessary to say anything after the eloquent speeches delivered by the older statesmen of the House, but I will be failing in my duty imposed on me by my electorate if I do not say a few words at this critical juncture.

I shall first deal with those subjects that will materially affect the poor masses of India.

Salt.

The extra taxation on Salt will, I think, be a great hardship on the masses. It is one of the urgent necessities of daily human consumption. One cannot live without it and it is only one of the necessaries of life that is being used by the rich and the poor alike. Any interference with the use of salt by heavy

taxation will seriously tell upon the health of the people. Moreover, salt is largely consumed by cattle and, if it is heavily taxed, it will affect a good deal in the preservation of cattle, which are so very useful in various ways in this agricultural country. I, therefore, strongly oppose an extra taxation.

Kerosene oil.

The next item is the tax on Kerosene oil. After the introduction of Kerosene oil in India, the old system of lighting with nut oil and castor oil has disappeared, and it has now become one of the chief necessaries of Indian life and the masses cannot get on now without kerosene lights. It will be a great hardship if Government taxed the Kerosene oil, which is after all produced in India itself.

Postage.

Now I come to the increase in Postage. The doubling of post-card rate and the increase of ½ anna and ¾ anna letter rates to one anna will surely and seriously go against the common interests of the poor. Considering the small profit which the Government is going to derive under this head, it is not worth interfering with the present rate of postage. Use of cheap postage is hitherto enjoyed in India from generation to generation, and any interference with it by the raising of the postal rates will produce a great outcry among the masses. I beg to suggest, therefore, Sir, to leave ¼ anna post-card rate as it is at present and introduce ½ anna note paper post-card and also introduce 9 pies stamps for letters weighing one tola, abolishing ½ anna rate.

Railway fares.

The next important item which has been spoken of so strongly, is the increase of Railway fares. Passenger fares have been recently increased and any further increase under this head will, I am afraid, be very hard on the travelling public, especially the poor.

I do not mind about the increase in 1st and 2nd class passenger fares, but I do strongly object to the increase in third class fares, as it will hit the poor very hard. I am not unmindful of the fact that the present coal market is in an abnormal state and that the cost of coal will no doubt affect the working of the railways considerably. With a view to get out of this difficulty, I would suggest the use of wood fuel along with coal. This system has been worked in some Railways, *e.g.*, The South Indian Railway and the Madras and Southern Mahratta Railway and proved a success.

Cotton Excise Duty.

Then I am not in favour of increasing the Cotton Excise duty from 3½ to 7½ per cent., as it affects the indigenous industries. The duty of 3½ per cent. on this head was in existence for several years. The increase now proposed on foreign piece-goods is from 11 to 15 per cent. *i.e.*, 4 per cent. in excess of the old rate, that means an increase of 37 per cent., whereas the Cotton Excise duty from 3½ to 7½ per cent. works out to over 100 per cent. If at all any increase be made it may be made to the amount equivalent to the duty increased on foreign piece-goods, *viz.*, 37 per cent. to the present rate, which works out at about 5 per cent.

Duty on Machinery.

The next important item about which I raise my objection is the increase of import duty on Machinery from 2½ per cent. to 10 per cent. This exorbitant increase is most objectionable. Any heavy taxation on this item as well as on cotton means nothing but an embargo on the development of indigenous industries, and if you give facilities to other nations, such as Japan, etc., to monopolise the Indian Market. I believe it is the wish and desire of the Government to develop the Indian industries, whereas the present attitude which the Government has taken by increasing these taxations will, I am afraid, cause a great outcry among the industrial classes, as it will give a deathblow to the thriving industries of India.

Military.

I do not like to repeat the same question as so many Members spoke both in this House and the other House regarding the reduction of Military expenditure. I have also heard the speech of His Excellency the Commander-in-Chief on this subject in the other House, and I quite realise that sufficient military force is essential not only to safeguard the interests of the country, but also to safeguard the interests of law-abiding citizens. But it is essential that this very heavy item of expenditure should gradually be reduced. Moreover, as the safety of India means a safety of the Empire, it is equitable and just that the British Exchequer should also bear a portion of this heavy military expenditure and thus come to our rescue at this crisis.

Ways and Means.

I know the Honourable the Finance Member will ask as to how to meet the deficit if reduction of proposed duty is made on the suggested commodities. My answer is quite clear and simple, *i.e.*, to remove the existing embargo imposed upon the shipment of rice to Ceylon and the Straits Settlements about which a great deal of discussion took place in this House. I really cannot understand the reason why the Government are still stubborn in not removing the

embargo. They not only stand in the way of free trade, but they also lose millions of rupees by way of export duty on rice. In the year 1911, about 14 million tons were shipped from the Ports of Madras to Ceylon and the Straits Settlements. In the year 1912, about 15 million tons were shipped. In the year 1913, about 12 million tons were shipped. This means a revenue of several millions of rupees. I, therefore, strongly recommend the withdrawal of the restriction immediately and allow the trade to continue freely as before. I also suggest the withdrawal of the restriction on the export of wheat and levy a reasonable duty.

Another solution I beg to suggest is to impose export duty on ground-nuts shipped from all the ports of India to foreign countries. There has been a very large export from the Ports of Madras to Marseilles, a French Port, and the Honourable Members of this House will be surprised if I mention the quantity of ground-nuts shipped from India:

| | | | |
|---|---|---|---|
| In the year | 1911 to 1912 | . . . . | 3,822,583 tons were shipped |
| „ | 1912 to 1913 | . . . . | 4,867,011 „ „ |
| „ | 1913 to 1914 | . . . . | 5,558,120 „ „ |

In the subsequent years the shipment has been decreased owing to the war and also due to exchange problem.

Well, Sir, even if a small taxation is levied on these commodities, it will bring in a very large revenue to Government, and I hope my suggestion will meet with the approval of this House as well as of the Government. After all it is a produce cultivated in India and taken to foreign countries and consumed by foreigners. Why not have the tax levied on this commodity when we ourselves are finding it very difficult to meet our financial position? I strongly recommend that instead of taxing and squeezing the poor Indian masses, a taxation on the goods shipped to foreign countries should be introduced and this taxation will be borne by foreign consumers.

Finally, I may say that any extra taxation on the items which will affect the poor will no doubt be a great hardship and it will give greater facilities for the non-co-operators to play on this harp and it means ' adding fuel to fire.'

With these few words I commend my observations.

(At this stage the Honourable Sir Maneckji Dadabhoy took the Chair.)

The Honourable Mr. LALUBHAI SAMALDAS: Sir, this Budget has been called a bankruptcy budget, an insolvency budget, a dismal budget. I am not going to repeat those terms. But, Sir, it is very difficult to speak with patience and restraint when one sees the resources of one's country frittered away in a way that cannot meet with the approval of the country. Sir, the difficulty is greater because we feel our helplessness in improving the situation. It is not only we that feel so, but even the Honourable the Finance Minister says that he is helpless. He is obliged to bring in Providence in his speech. He says: ' But Providence has seen otherwise '. That means he perhaps himself is not quite able to retrieve the situation. He does not only bring in Providence, but he brings in later on political troubles, labour troubles, which led to the stoppage of colliery and curtailed the raising of coal. His actual words were:

' We not only maintained the services by the purchase of foreign coal at a greatly increased expenditure, but it had of course a detrimental effect on our balance of trade.'

But I think we have a right to expect Government to see that those troubles were easily squashed. Some attempts ought to have been made earlier and things ought not to have been allowed to drift in the way in which they must have drifted if what the Honourable the Finance Minister has said is true, that it led to the curtailment of trade. Sir, the Honourable the Finance Minister is and has been the trustee of the country. He was good enough to say last year that:

' Speaking here to-day I frankly, and with no feeling of regret at the curtailment of our former powers, welcome the measure which has given us so powerful a partner in the trusteeship for the finances of India.'

Sir, the suggested trusteeship should be a complete joint trusteeship. The joint trustees cannot work only in one matter together and then leave the responsibility to the other trustees in other matters. Recognising that joint trustees we approached this Council or rather Mr. Kale did, and an attempt was made in the other House also, to give all the help that we could to the Finance Minister in improving the situation; and how was our request for co-operation treated? The Honourable the Finance Secretary opposed it and on a division it was lost. It is true that in the other House with more elected Members than we have, they carried it; but if the Honourable the Finance Minister thought that both the Houses of the Legislature were joint trustees with him, he might easily have taken us more into his confidence from the beginning. It may be said that there is a Standing Finance Committee and there is a Public Accounts Committee. Yet, in spite of those committees, expenditure has been mounting up; and it

is not for us, unless we know all the details, here to say how far that committee was taken into confidence and how far all the facts were placed before them; but when we want a special Retrenchment Committee our request was met with a refusal. The Honourable the Finance Minister last year expected that he would be able to balance practically the expenditure and revenue; but he says that, owing to the war and owing to the slump in trade and other incidents, it was not possible to do so and we are faced with a heavy deficit. That deficit has been met by raising more money by Treasury Bills and other means. The situation is getting bad to worse from day to day and it is up to this Council to consider the best way in which the whole situation can be met. There is a deficit of Rs. 90 crores already during the last four years. That is bad enough. We all thought that during the first or the first two years after the cessation of the war, when war factors had not reached any stability, we may have to spend more; we were hopeful that at least in this year there would not be any necessity for fresh taxation and that we would be able to make both ends meet. Unfortunately that has not happened; and we have also been told that it cannot be done for some time to come. Had it been even that it was a temporary deficit this year, perhaps the House and the country would not have taken such a gloomy outlook of the situation as they have done. But the Honourable the Finance Member says plainly, straightly—and I congratulate him on his courage and straightness—that it is not a temporary deficit. We also feel that it is not a temporary deficit; and if it is not a temporary deficit, has not the time come when all of us should meet and put our heads together? We may not have the financial brains of the Honourable the Finance Minister, or the Honourable the Finance Secretary or the Assistant Secretary, but we can honestly help; that is what we want to do. If Government will not accept our help, our assistance, it can only be due to two factors; one is either they do not believe in our *bona fides* or that they do not believe in our capabilities. If that is so I beg to say, Sir, that it would not be justified. As I said, we do not claim to be financial experts in the same manner as the Honourable the Finance Minister or the Finance Secretary may be; still we have some knowledge of finance and we are prepared to come forward and render all the assistance we can.

Coming to the details of the Budget, Sir, we find that the most important item is the Military. His Excellency the Commander-in-Chief told the other House and the Honourable the Finance Minister said the same thing, that it was not possible to reduce the expenditure by a single pie—he did not use the word ' pie ', but it practically came to that—not an iota of the expenditure could be reduced. . . .

The HONOURABLE SIR MALCOLM HAILEY: Combatant strength.

The HONOURABLE MR. LALUBHAI SAMALDAS: Anyhow the expenditure could not be reduced. It is a pleasure to know that, as I take it, an attempt will be made to reduce the expenditure without reducing the strength of the Army. Now, I want to make certain suggestions to His Excellency the Commander-in-Chief, suggestions which are made only by a layman, and if I make any mistakes I hope His Excellency will realise that it is done more through ignorance of the technique than through any desire to hit at the Army. Sir, before I come to the details, I would like to speak on the general policy; and in this connection I think on behalf of this House we may express our thanks to His Excellency the Governor General for having allowed us to consider and discuss the Military item to-day; otherwise under the Act we would not have been able to do so. With that permission and with the desire of His Excellency the Commander-in-Chief to effect reduction in the expenditure, as far as possible, we all hope that a way will still be found by which, without reducing the strength of the Army in any way, we may be able to reduce the expenditure to such an extent that the Honourable the Finance Minister may be saved the trouble of raising all the monies that he estimates to have under the new schemes.

Coming to the general policy, Sir, His Excellency in the other House said—I believe it was His Excellency, but I am open to correction—that the Members who asked for taking away our troops from Waziristan were gentlemen either from distant Bombay or Calcutta . . . .

The HONOURABLE SIR MANECKJI DADABHOY: I must ask the Honourable Member not to refer to any speech made in the other House.

The HONOURABLE MR. LALUBHAI SAMALDAS: I bow to your ruling. It may be said that the amount we have to spend in the occupation of Waziristan is a sort of insurance against attacks either from Afghanistan or from the frontier tribes. I request His Excellency to reconsider the whole situation and see whether we are not paying too heavy a premium for the insurance that we are effecting. It is for him, for His Excellency and the military staff, to decide whether this occupation of Waziristan leads to the

good of the country, or whether it might be permissible, in the financial interests of the country, to retire from Waziristan. Sir, it is not only the opinion of laymen; we are all laymen from Bombay and Calcutta; but I want to quote the opinion of a journalist who has studied the frontier question and the near East as well as perhaps any military officer of the Government has done—I refer to my Bombay paper the ' Times of India .' While reviewing the budget, the ' Times of India ' after referring to the occupation of Waziristan, says:

' Waziristan is becoming a sink down which illimitable crores are being poured. The policy of occupation has become unbearably heavy. Withdrawal is always an unpleasant emergency to face, but there is on the Budget statement no alternative between withdrawal or something like bankruptcy. The policy of occupation was a mistake. It must be courageously reconsidered. The country is entitled to ask from His Excellency the Commander-in-Chief some alternative to this crushing burden for the protection of a very limited section of the Frontier.'

This appeal comes from a respectable journalist like Sir Stanley Reed, and I make the same appeal to His Excellency for a reconsideration of the whole situation in view of the fact that the country is becoming bankrupt. Sir, if it is not possible just now, owing to the frontier troubles or owing to the Treaty with Afghanistan being only very recently entered into, is it not possible later on for His Excellency to see if it is not possible to reduce the strength of the Army, not now,—His Excellency shows by a nod and says it is not possible—it may not be possible now—but it may be possible later on?

It may be that, as was stated here that the Army is to be sent from one place to another to quell local troubles, as in Malabar. It may be that it is felt by the Government of India that the Political situation in India is not so very easy at present as to make any reduction in the Army. It is for the Government of India and His Excellency the Commander-in-Chief to take stock of the situation, but when taking stock of the situation, they must bear in mind the fact that the country is getting bankrupt. It cannot afford to find more money. Then there is the question as to how best to reduce the military expenditure. Referring again to the ' Times of India,' it says: . . . .

3 P.M.

The HONOURABLE SIR EDGAR HOLBERTON: May I know, Sir, if these newspaper extracts are in order?

The HONOURABLE SIR MANECKJI DADABHOY: I do not see any objection to quotations from newspapers.

The HONOURABLE MR. LALUBHAI SAMALDAS: The ' Times of India ' says:

' We recognise that in many respects this is a very bad time to recommend any reduction of the Army in India. We recognise also the public spirit with which Lord Rawlinson has dealt with the question of military economy and the considerable savings he has made.'

The ' Times of India ' further goes on to say:

' The military issue in India is therefore not only one of economy, but of retrenchment. That the Government of India must face and shoulder, if in no other way by rationing Army Headquarters with a sum considerably less than that asked for in the budget for the coming year.'

I hope, Sir, that His Excellency the Commander-in-Chief will very carefuly consider the whole situation, not from the military point of view, but from the financial point of view and do his best to reduce, not the Army,—for I do not press for the reduction of the Army just now,—he will do his best to reduce its expenses so that the difficulties of my Honourable Friend the Finance Minister may be reduced, and on his behalf also I think he would make the statement which would please the hearts of the public that he will see his way to reduce the military expenditure.

Sir, the words ' vicious circle ' have been used just now by my Honourable Friend, Mr. Kale, in one connection, and I want to use those words in connection with another matter. We have been told that the present strength of the Army is necessary, not only for the frontier troubles, but for the maintenance of internal peace and order. If we are going to have bankruptcy budgets year after year, and if we are going to have more and more taxation, there will be more and more discontent in the country. If there is more discontent, there will be, according to the Government arguments, greater necessity of controlling the forces of disorder and maintain peace in the country. That means more army would be required, and we cannot go on moving in that vicious circle without any retrenchment being effected very long. That is also a question which has to be very carefully considered, not by His Excellency the Commander-in-Chief personally, but by the whole of the Government of India, and see whether it is not possible to do something, as the ' Daily Mail ' or some other paper said, concession-*cum*-repression does not lead to any good. Let it be either full concession or let it be repression, said the paper—the latter is a recommendation which

we cannot approve. The country cannot go on in a state of excitement and agitation for years to come. We want a definite policy to be laid down by the Government. It is a political question, but politics do mix up with finances, and I am therefore obliged to refer to it. But this question also has to be settled once and for all.

We have been told, Sir, by my Honourable Friend, Lala Sukhbir Sinha, that we want to Indianise the Army, and asked His Excellency the Commander-in-Chief as to when he can do that. He has, I believe, made up his mind to make a beginning both as regards the officers as well as the Army. But I would like to draw the attention of His Excellency the Commander-in-Chief to the fact that if India is really going to have *Swaraj* —it may be in 10 years, or 15 years or 20 years, or it may be in a generation as was said by His Excellency, a beginning on right lines has now to be made. I remember, Sir, a definition of Home Rule given by Mr. Lionel Curtis some time back. He said Home Rule meant government by the representatives of the people, for the people and backed up by the army of the same people. That is the correct definition of *Swaraj*, and I hope His Excellency the Commander-in-Chief when considering the whole situation will be good enough to see that a proper beginning is made so that the country may be able to attain *Swaraj* in the real sense of the term as early as possible. That is an appeal which, I believe, will be supported by almost all the Members of this House as also by the country at large.

Now coming to details—I do not know if I have exceeded my time-limit. May I know, Sir, how much time I have?

The HONOURABLE SIR MANECKJI DADABHOY: You have spoken for 17 minutes so far.

The HONOURABLE MR. LALUBHAI SAMALDAS: Thank you, Sir. I would just like to refer to the very clear Explanatory Note which was supplied last year written by Sir Godfrey Fell. That Note I take as the basis for this year's budget also, because this year's Note is unfortunately not so clear or elaborate, perhaps he has not had much time to devote to it. But looking at the figures and glancing through them which I received only last night, I think I am right in saying that most of the expenditure which was put down for 1921-22 is likely to recur. I cannot see any variations in the Note supplied for 1922-23. Therefore, I think I shall be justified in basing my remarks on the previous Note. We are told, Sir, that there has been no increase, if anything, a slight decrease, in the British Army as well as in the Indian Army, and yet in 1913-14, I am talking of salaries only, the amount of expenditure on British soldiers was 3 crores 45 lakhs. In 1921-22 Budget, it was 9 crores and odd practically, though not exactly, three times but $2\frac{3}{4}$ times. We have been told that the index figure, as my Honourable Friend, Mr. Kale, said, was 80 per cent. higher. It has been said that it was only 50 per cent. higher. But taking it at 80 per cent., is it not possible to reduce the salaries or make some arrangements by which the expenditure on the salaries could be reduced? I have been told that a soldier does not receive more than he would receive in England. If that is so, perhaps it is not possible to go in for reduction. But I merely wanted to draw the attention of His Excellency the Commander-in-Chief to the fact that, while the index figure has gone up by 80 per cent., the expenditure on account of the salary of the British soldier has gone up by $2\frac{3}{4}$ times.

Then, Sir, there are two or three items which I would like His Excellency the Commander-in-Chief to take into consideration. The administrative staff and establishments, which cost Rs. 59 lakhs in 1913-14, are now put down at 1 crore and 57 lakhs, practically three times the sum. I want the Accounts branch to be as strong as possible, because it is the chief department that will control expenditure, and yet I do not see any reason why the Accounts staff and establishment should have been increased three times or so. It has gone up from Rs. 26 lakhs to Rs. 77 lakhs. Similarly, the medical staff and establishments have gone up from Rs. 56 lakhs to 1 crore and 76 lakhs,—more than three times. It is possible that during the war the soldiers had to be treated much more kindly, and more attention had to be devoted to them, and more hospitals had to be built. But I appeal to His Excellency the Commander-in-Chief to consider whether, in this year of bankruptcy, it would not be possible to reduce this kind of non-recurring expenditure. I am not taking of the recurring expenditure. I am talking at present only of the non-recurring expenditure which are charged to capital. There are several such items, but I won't take up the time of the Council by referring to all of them. There is only one item about which I seek to have an explanation. I hope I will be enlightened on it. On page 322 of this Blue Book an item is put down. The heading is 'The principal items making up the increase of £2,212,000.' One of the items—item (*ii*)—is 'Marriage allowances and allotments to families of British soldiers and airmen in

India—a new item '. It is put down as a new item there, and the expenditure is £832,000. I do not know what that item is, and why, although it is new, it has been put down in this year of scarcity, and whether it can be removed. I seek this information and I appeal to His Excellency the Commander-in-Chief, if possible, to reduce it. We do not know what it is for, and I would like to have some detailed information about it.

Then, Sir, in this year's Budget, there is an expenditure on the movement of troops, an increased expenditure of 1 crore and 38 lakhs. That figure must have been arrived at on the basis of last year's figures, thinking that there may be some trouble like the Moplah troubles, etc., I think it can easily be reduced, because I fervently hope that we shall have no trouble, not only of that kind, but any other political or labour trouble, which will necessitate the sending of the Army from one place to another. But even if it is sent, I ask the Honourable the Finance Member whether he should not charge to the province which is not able to keep its affairs in good condition the travelling charges of sending the Army there. Why should we, the Central Government, bear that expenditure?

Coming, now, Sir, to the civil side . . . .

The HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member to bring his remarks to a close as early as possible.

The HONOURABLE MR. LALUBHAI SAMALDAS: All right, Sir. I would try my best to do so. I merely ask a few questions. My Honourable friends have spoken on Machinery and Excise and Salt tax. I won't repeat their arguments, but before I bring my remarks to a close, I would like to refer to two items. One is about the annuities regarding Railways. There are three different items entered in three different places. On page 303 of the Blue Book there is an item which is put down as ' Annuities in purchase of Railways—Rs. 5 crores and 3 lakhs.' There is another item on the same page ' Redemption of capital from revenue ' which is set down at 1 crore and 17 lakhs. That would mean that the one was total revenue and capital expenditure, while the latter was only capital expenditure. But in the other book (Budget statement) in Appendix B on page 2 it is put down—' Annuities in purchase of Railways—3 crores and 35 lakhs.' These two do not make up 5 crores and 3 lakhs, and I would like to have an explanation on that subject. If the explanation is given, I strongly support the proposal that has been made that the redemption of capital from revenue, 1 crore and 17 lakhs should be taken to capital, and so far our expenditure should be reduced.

Another item of expenditure which can be reduced has been suggested by various authorities. I specially desire to bring it to the notice of this House, because it has been suggested by my Indian Merchants' Chamber and Bureau. They advocate ' the diversion of 6 crores of interest earned in Paper Currency Reserve and excess of Gold Standard Reserve to revenue which Chamber consider permissible in view of proposed repayment of 4 crores Treasury Bills held by public.' It may be said that the total sum is 15 crores and only the interest thereon can be treated as suggested. I ask the Honourable the Finance Member to carefully consider this suggestion and see whether it is not possible to take out the whole of the 6 crores, and by doing so reduce the expenditure by 6 crores *plus* 1 crore and 17 lakhs, or 7 crores and 17 lakhs and the reduction which His Excellency the Commander-in-Chief may be able to effect.

Sir, as my time is up, I want now to refer to the Exchange. . . .

The HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member not to embark on any new subject now.

The HONOURABLE MR. LALUBHAI SAMALDAS: I am sorry I have no time, but I will only just refer to one matter. We have a feeling, Sir, that the Honourable the Finance Member has an idea that people are going to non-co-operate with him as regards his Budget. He has told the Assembly practically. ' If you do not behave properly . . . .

The HONOURABLE SIR MANECKJI DADABHOY: I have already ruled that you should not refer to anything that has taken place in the other House this Session. I cannot allow you to refer to it because in this House we cannot refer to what has passed in the other House this Session.

The HONOURABLE SIR MALCOLM HAILEY: May I rise to a point of order, Sir? I am very loath as you may well imagine, Sir, to question in any way your ruling in this matter, but I think we were under the apprehension, rightly or wrongly, that Members of this Council might refer to speeches made by Members of the Executive Council in the other House, in view of the fact that they are allowed to speak, both in this Council and in the Assembly. May I add, from my point of view, that it would be a great convenience to me if any Member of this Council were, by your permission, allowed to refer to any speech I made in the Assembly, for perhaps they may desire to suggest points which I may be able to clear up here.

The HONOURABLE SIR MANECKJI DADABHOY: I understood our President to rule otherwise this morning, but as it is your personal desire . . . .

The HONOURABLE SAIYID RAZA ALI: I believe, Sir, that that is what he told the House this morning.

The HONOURABLE SIR MANECKJI DADABHOY: I thought that this morning the President had ruled otherwise, but as it is your desire to give your personal explanation, Sir Malcolm, I will allow the Honourable Member to proceed with his remarks.

The HONOURABLE SIR MALCOLM HAILEY: I am much obliged, Sir.

The HONOURABLE MR. LALUBHAI SAMALDAS: He wants me to speak.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, I will allow you to do so, but you must be as brief as possible.

The HONOURABLE MR. LALUBHAI SAMALDAS: I want to ask the Honourable the Finance Member and this House why we come here away from our place, at some sacrifice, sacrifice of health, sacrifice of business? Do we come here merely for the fun of attending the Council debates or for being called Honourables? We come here because we think that we will be able to assist Government in shaping the country's affairs in such a way as shall best serve her interests. But we are told that if we do not act properly, that is to say, if we do not carry the budget as it is, the Parliament—there was an impression produced in our minds, I am merely saying what impression was made on our minds—that the Parliament which is the only body that can give by instalments *Swaraj* will not do so, and it was also said that we were losing friends in England. . . .

The HONOURABLE SIR EDGAR HOLBERTON: I rise to a point of order, Sir. This is certainly a new subject.

The HONOURABLE SIR MANECKJI DADABHOY: I have already allowed the Honourable Member to speak on the subject.

The HONOURABLE SIR EDGAR HOLBERTON: It is now 45 minutes.

The HONOURABLE MR. LALUBHAI SAMALDAS: I merely wanted to say that I hope the Honourable the Finance Member did not mean it, but if he did and if we can get *Swaraj* only by co-operating in the way in which he likes us to do, I would much rather have the benevolent despotism of the old days and the *ante status quo* than be a party to an arrangement where our co-operation would be useful merely to tax the people instead of allowing us to improve their material, moral and economic condition.

The HONOURABLE SIR MANECKJI DADABHOY: (Addressing the Honourable the Finance Member): Would you like to give an explanation at this stage, or would you like to make it at a later stage?

The HONOURABLE SIR MALCOLM HAILEY: I would rather do so in a speech which I hope you will allow me to make in closing the debate. Perhaps there may be other Members who have some misapprehension of the same nature as that of the Honourable Mr. Lalubhai.

The HONOURABLE SAIYID RAZA ALI: Sir, it is really difficult to withhold sympathy from the Honourable the Finance Member who finds himself to-day in this predicament. It has not been suggested, and in fact it is not a fact that due care and thought have not been bestowed on the framing of the budget. The Honourable the Finance Member, as is his wont, has taken extraordinary pains to make the budget as clear as he in the circumstances of the case, could. The question, however, Sir, is one of principle. We have to examine whether the principle on which the coming year's budget has been framed is one which can commend itself to any reasonable man.

I do not want to tire out the Council with quotations, but the burden of the song, if I may be allowed to say so, of the Honourable the Finance Member's memorandum is that revenue should meet expenditure. In many places he has given forcible expression to this view. Now, I for one, take emphatic objection to that proposition. The proposition is inherently wrong, and hence the troubles of the Honourable the Finance Member and of the Government of India. It is very wrong to say that revenue should meet expenditure. The correct proposition would be that expenditure should be within the revenue. But if you lay down a reckless standard of expenditure and after finding that you have not got enough revenue to meet it you want to cast your net as wide as the circumstances of the case allow you to do, there will naturally be strong objection taken to the manner in which you have acted. The only logical and reasonable manner

of framing the budget is to find how much money is at your disposal. Having once determined that, you should try to distribute it among your Departments as fairly and equitably as you can. I do not suggest, that perhaps the Honourable the Finance Member did not resist the inroads that were made on his Department by various spending Departments. Indeed, I hope that he resisted and resisted to the bitterest end. All the same, the fact is there that the Honourable the Finance Member as a Member of the Government of India, now wants to vindicate his position before this House.

I do not propose, Sir, to go through very many questions. I would just take a few questions which affect the public at large and try to show that the additional proposals for taxation are not based on any sufficient grounds. Necessarily to show that, I will have to examine both our expenditure and our receipts. The receipts have fallen considerably and I do not think that they are very illuminating figures, excepting this that we are faced with a large deficit in the coming year. Now, Sir, what is responsible for this deficit in our budget? As every man in the street knows, our Army expenditure looms large in the horizon and is mainly responsible for this increase. About the military budget I shall explain my position in as few words as possible. Let us see what is the situation which we find around us to-day? The situation which confronts us, rather the situation, fortunately for us, before us is this, that the most powerful military power of modern times stands defeated and vanquished. There can be no suggestion that owing to German intrigue any invasion of India can take place. With our northern neighbour Afghanistan we have entered into a treaty of peace. There is no power in Central Asia left now from whom we can have any reasonable apprehension of any future invasion. Bolshevism lies prostrate at the feet of Western Europe. That being so, is it reasonable, may I ask, to suggest that because there may arise in the distant future any apprehension of danger from our North-West Frontier tribes, therefore we should keep the army not only in an efficient condition but in that condition which unfortunately is not commensurate with the money that we can afford to spend on it? Sir, going through the whole subject, I find that for this increased military budget two bogeys have from time to time been tried to be trotted out from end to end. The first is the frontier disturbance and the second is the maintenance of internal order, in which are included the movements of troops. Now, Sir, so far as frontier disturbances are concerned, I make bold to say that, excepting the Afghan War of 1919, if you take an average period of 3 years preceding that year, I do not think that our border has been less turbulent than has been the case during the past three years. I do not, I may be allowed to say, disregard the Waziristan campaign, but as against it there have been a number of campaigns of a more onerous character from time to time in the past. No doubt the frontier tribes can give us trouble, but after all trouble can be met with trouble. If they have troubled us, they have experienced always more trouble from us. Our position is never actually in danger. Then coming to internal order, I will submit, Sir, once for all that the primary function of an Army is to repel external danger. I say it with great respect to His Excellency the Commander-in-Chief that it is not the primary function of an Army to maintain internal order. The duty of maintaining that order, in the first instance, devolves on the police. If the police fail to discharge their duty, and I am glad to find that in this country the police have never failed to discharge their duty, then civil authority has a right to summon the military to its aid. Therefore, the plea that because there is danger of internal disorder, therefore we are entitled to commit ourselves to a huge military expenditure is a very hollow proposition. I must admit, Sir, that the movements of troops which have been necessitated during the past 8 months, have unfortunately entailed a certain amount of expenditure, but there is no reason to suppose that what has been done during the past 8 months will repeat itself on a larger scale in the near future. I am convinced that our police, efficient as it is, is quite competent to deal with such local trouble as may crop up from time to time. Now I do not think it is necessary for me to give the figures of military expenditure. They are a matter of common knowledge. The military expenditure has gone up very enormously. In the year 1913-14 it was 18 millions sterling and in 1919-20 it went up to 41½ millions. It has since then stood between 42 to 44 millions with a tendency to go up. Now, Honourable Members will see that the expenditure during the past 8 to 9 years has much more than doubled itself. Is that a position on which we can congratulate ourselves? My submission is that it is not. I have already stated to the House that there being no danger of any invasion or of any aggression from any quarter, this is just the time when we should embark upon a campaign of economy and retrenchment. In fact the question is one which has attracted very considerable public attention in England. Whatever may be the view, and I am free to confess that I do not know what is the view of the military advisers of the Government of India on this subject, namely, whether we are entitled to embark on a

campaign of retrenchment as a result of the late war, there is no doubt that the view taken in England is that for the next ten years there is no reason to apprehend any danger from any quarter. In the instructions issued to the Geddes Committee, whose Report, as Honourable Members know was out only last month, it is clearly stated that the Committee will be required to submit its Report " on the assumption that no great war was to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in case of an emergency arising." That was one of the instructions that were given to the Committee. To me it seems that our position in India is much safer than the position of England, because we have not got the huge commitments which naturally fall to the lot of England. Sir, as was pointed out by one of the speakers, we are not required to spend anything on the Navy. Now, I ask Honourable Members to remember that the Navy of England is there to protect us. That being so, is there any reason why we should unnecessarily increase our military expenditure, though our safety is assured by the naval forces of the Empire, of which we are a unit? On the question of retrenchment, Sir, the point that will naturally suggest itself to many Honourable Members is as to how we are going to economise. One of the suggestions thrown out by more than one of the Honourable Members who have preceded me, is that we can make a satisfactory retrenchment by Indianising the Army. The suggestion was that so many British soldiers should be replaced by so many Indian troops. That is one way, but, Sir, that is not the only way of doing it. The question arises as to what has been the effect of war on modern warfare and on modern weapons. If one soldier at present is as good as two or three soldiers of the pre-war period then surely a clear case has been made out for reducing the strength of our Army, both British and Indian. I do not say that we should reduce the British forces alone. If the interests of economy demand it, let us reduce both the British and the Indian forces. Now the question is this. It is unfortunately a question on which I am not in a position to express any opinion worth much, namely, what has been the effect of the war on the efficiency of our Army I am sure, Sir, that the distinguished soldier who presides over the Military Department will enlighten us on this point. Now I invite the attention of Honourable Members to the Geddes Committee Report, where the effect of improved modern weapons has been brought out and where it is explained as to what use a soldier can be put now, and whether he is not as useful as three or four soldiers were before the War. It says:

'The units also from the point of view of fighting efficiency are far more powerful than they were in 1914-15. Owing to the introduction of machine-guns the fire power of an infantry battalion is given as 6 to 8 times as much as it was before the war, and that of a cavalry regiment four times as much as it was before the war. The introduction of heavy artillery, gas, and tanks has increased the fighting power out of all comparison with the number of men engaged, and officers who are intended to increase the efficiency of the army, have increased disproportionately to the men. Moreover, there has been added to the Defence force of the Empire the very costly and highly specialised arm of the air. There will, therefore, be a far more powerful Army than we had before the war.'

We can also say that we have got the nucleus of an Air Force in India and, in time to come, it will relieve a portion of our burden. Now, that is the latest authority, if I may be allowed to say so, on the subject. That being so, may I not suggest to the Government of India whether the time has not come for them to reduce the strength of the British officers and soldiers from 69,600 and odd to 46,400, that is by one-third? Apply the same principle to the Indian soldiers whose strength at present, as Honourable Members are aware, is 158.615. If you do that, you will get quite a decent amount to cover the lion's share of your deficit. This is the position, Sir, those are the facts. I do not think it is necessary for me to say more on the Army.

I will have a few words to say on other subjects. Very briefly stated, Sir, my position on the remaining part of the Budget is, that this is a Budget which taxes the poor more mercilessly than the rich. That is the main objection that I take to the Budget. Having worked out the figures, I find that out of 2,165 lakhs, as much as 1,300 lakhs has to be borne by the poor and the balance to the extent of 865 lakhs falls on the rich. This classification of course I find with reference to the articles on which increased duties are proposed to be levied. For instance, I will say in a word that things like Salt, Passenger fares and Matches are not matters in connection with which the lion's share of the burden can fall on the rich. The share of the rich is denoted by Income-tax, Super-tax Alcholic liquors, Machinery and Sugar, if I may be allowed to include the last item in the list. That is the main fault that I find with the Budget. Now, Sir, the position is, what are we going to do? Going through the Budget I found that our working expenses on many of the Departments had steadily increased during the last two years. If we compare the accounts of 1920-21 with the revised estimates for 1921-22 on the one hand,

and with the Budget for 1922-23, on the other hand, we will find that there has been a steady increase in the working expenses both on our commercial departments as also on our spending departments. On the other hand, the receipts from our commercial departments have not kept pace with the increase in expenditure. This is more or less of general application, but I will just note the important heads without going into the figures. My remarks apply to Railways, Posts and Telegraphs, Customs, Salt and Opium. We find that there is a steady increase under expenditure. This increase is represented by 20 per cent. to 39 per cent. in the working expenses, without any proportionate increased income for these years. Now, that being so, Sir, I ask, are we to content ourselves, unfortunately for us, with this Budget or such portion of it as we may be able to swallow? The position is that it is not a satisfactory Budget, and I for one object, subject, of course, to my general objection, more particularly to the increased duty on Salt, to the additional Excise duty on Cotton goods and to the increase in the Passenger fares. Now, only one of these subjects calls for some remarks from me, namely, the question of the Cotton Excise Duty. The proposition has been very thoroughly discussed to-day, and I need not say much about that, but I would remind the Honourable the Finance Member not to forget that this question has got a very unfortunate history behind it. In the year 1894 this duty was levied simply because Lancashire thought that Indian goods would compete with its produce. That was clearly stated in the Council by the Honourable Mr. Westland, who was the Finance Member at that time. He stated:

'Her Majesty's Government, representing the supreme authority in the administration of India, and following the instructions of the House of Commons, have stipulated that if we are obliged by stress of finance to impose an import duty on cotton goods, we must deprive it of a protective character by imposing an equivalent duty upon similar goods manufactured in India, to the extent to which these enter into direct competition with goods imported from the United Kingdom.'

The whole subject has got a very unfortunate history and, therefore, every Indian naturally has a positive dislike for this duty. I am sorry that the Finance Member has thought it proper to increase this duty. As has been pointed out, the duty should have been taken off; if that were not possible, he ought to have allowed the sleeping dogs to lie and not raised the duty.

One word more, Sir, and I have finished. I, for one, am not prepared to support the Government's proposals, especially with regard to the three items which I have indicated. Now, let us see what the Government's attitude on the point is. I must at once concede that Government have a right to expect all reasonable assistance from us in the present financial crisis, and I, for one, am prepared to help the Government as much as lies within my power. All the same, are Government justified in supposing that, because Members have chosen to enter the Legislature, therefore it is their duty to support the proposals of Government, whether good, bad or indifferent? Much more so is the case with regard to certain departments which are never put to the vote of the Legislature, *e.g.*, the Army and many portions of civil departments. Here, behind our backs, without our knowing anything of what you are doing, you increase your expenditure and, after increasing that and finding that your revenues are not sufficient to meet it, you bring it to us and say: 'You are our Councillors and you have entered these Council Chambers. Therefore, we hope you will be good enough to help us.' Sir, I submit that is not at all a fair proposition. If you really want to rely on us, take us into your confidence, lay the figures before us, put everything to the vote of the Council, put before us for vote the Military expenditure and also all other non-votable civil expenditure. It will be our duty to help you after seeing as to how many of the proposals for retrenchment which we may put forward you have carried out. Sir, that being the position I think it is a very one-sided arrangement, and the Government are not at all justified in coming to us and expecting us to do everything for them. If it is going to be a case of mutual confidence, let it be a case of mutual confidence; if it is going to be a case of convenient alliance whenever it suits the Government, then there is no reason why we on our part should not follow the same principle. I strongly object to Government getting all the half-pence and we getting all the kicks. (Laughter.) That arrangement is very, unsatisfactory, and I must say, Sir, that if this Budget does not commend itself to the Legislature and is thrown out, the Government have nobody but themselves to blame for the manner in which they have been treating the Legislature ever since the Members chose to come here.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I do not propose to take up the time of the Council this afternoon by repeating what I said yesterday in another place. But there are one or two points in connection with this discussion which, I think, it is right that I should mention in this House; and although I do not wish to detain you longer

than I can help, I will also endeavour to meet the considerable volume of criticism that has been launched at the Military expenditure, both in this House and elsewhere.

Briefly, I endeavoured yesterday to point out the attitude of the Government in reference to this Military expenditure. One Honourable Member, Sir, this morning has referred to certain discussions that must have taken place between myself and the Honourable the Finance Member in coming to a conclusion as to what the figure of the military budget should be. I think I may tell him without revealing any secrets that those discussions have been very ample, have been very thorough, and, I may say, have been very cordial on both sides, with the result that the figure that you now see before you is the one that has been adopted by the Government as a Government, and is laid before the country for that reason. I have used every possible endeavour to cut down Military expenditure to the lowest possible limit. I had hoped that, in presenting the figure to the Assembly this year, we might have shown a considerable reduction on that which we presented last year. But circumstances have been against us. We have had to confront, to our disadvantage, a considerable rise in prices and extra expenses on the Railways and elsewhere, as well as higher charges from Home, which 12 months ago we could not anticipate. The economies, therefore, that I had meant and agreed to carry out, which would have shown a reduced budget figure this year, have, I am sorry to say, been swallowed up by expenses that could not be foreseen. After going into every branch of expenditure most thoroughly, it has been borne in on me, and I am afraid there is no disputing it, that, though we may by strict enforcement of economy be able to reduce the figure next year to some extent, no big or drastic or large reduction can be effected in the budget figure unless we proceed to cut down actual fighting troops. At the present juncture—and I lay emphasis on the fact that in all the remarks that I have made on this subject I have referred only to the present time—my opinion, as the Military Adviser of the Government, is that we cannot make a reduction in fighting troops. And that is because the position in which we find ourselves, both as regards the internal situation in India and the situation on the frontier, is not one that gives such confidence in the stability of the whole situation as to warrant us basing on it a policy of reduction. When circumstances improve, when the internal situation gives less cause for anxiety than it does at present, when the position on the Frontier is less threatening than it is at present, when the Treaty that we have signed with the Amir has been in existence a little longer than the two or two and a half months which is now its age, then I am quite prepared to consider the possibility of adopting some of the suggestions which have been made by Honourable Members, both in this House and in another place, for making reductions in the fighting strength of the Army as a whole.

Several Members have made a distinct reference—I might almost go further and say that they have made severe criticisms—regarding the policy that has been adopted in Waziristan. This is not surprising in view of the expense that it has led to in the last Budget and in former years; though I think the total figure which one Honourable Member quoted of 25 crores in the last four years is not one that we can accept as accurate. I will leave that point to be dealt with by the Finance Member. I would say one word in reference to Waziristan. Many of our critics seem to think that the Army has gone into Waziristan on a sort of filibustering expedition, with a view to gain honour and glory. I see some Honourable Members nodding their heads when I say this. I desire emphatically to repudiate any such suggestion. We, the Army, have been forced to go into Waziristan much against our will, in order to protect peaceful inhabitants within our own administrative border. There is no more unpopular service in the Army to-day than service in Waziristan. I do not know whether many Honourable Members have had the good fortune to visit that country. I am sure, if they had, they would sympathise with the officers and men whose unfortunate duty it is to serve there. I repeat that we have been forced to go in in order to protect our own subjects within our own administrative border against the constant and vicious and vigorous raids of the Mahsuds and the Wazirs from beyond the frontier. If someone else would take charge of these turbulent tribesmen, if someone would transport them to some other area, or even if they would agree to cease these raids and depredations upon our own peaceful inhabitants, no one would be better pleased than the Army. But we are bound as a Government to give protection to those of our subjects who live within our own administrative border. I say that is a duty of the Government, a duty which that Government must fulfil if it is going to deserve the term Government. We have entered on this policy in Waziristan in order to protect our tribes; and instead of remaining on the defensive within our own borders on a frontier or over an extent of frontier of some 300 to 400 miles, we have tried to suppress the

4 P.M.

disease at its centre, and so far we have been successful. I have referred to this, because I cannot help feeling that there is some misapprehension in the minds of Honourable Members as to the reason for our policy and for the expenditure which we have had to incur. I say that we can look forward to considerable reductions in this direction during the coming Budget, in comparison with last year. No doubt if our relations with Afghanistan continue to be as good as they are at present, and if the Treaty that has been signed matures in the way that we hope it will, it will be of very material assistance in our frontier policy and in the maintenance of law and order even in the Passes and in the borders of Waziristan.

I will pass on now to the internal situation. When I see a state of affairs in internal India to-day, in which I am constantly, almost daily, called on to send troops to reinforce the Police in order to maintain law and order, when I see the unrest in almost all parts of India, and when I remember also the trouble that we had in Malabar in suppressing the Moplah rebellion, I cannot bring myself to recommend a reduction in our fighting troops. It has been suggested by some Member that it is not the duty of the Army to maintain law and order and to suppress internal disturbances; I quite agree. But when your Police are either not sufficiently numerous or not sufficiently trained to maintain the law within your own borders, it is inevitable that the Military should be called in to support it. It is not, again, a duty which the Army is intended for, nor is it one that should in actuality be charged against the Army Budget. The maintenance of law and order and the forces necessary to enforce them should be charged against the Provincial budget. But one can understand, when one looks at the financial position of the provinces, that they rather encourage the Army to support the Police. I say again that the Army dislikes this particular duty, and would be very glad if it were possible to get rid of it.

Now, there have been many criticisms by Members of this House on Army expenditure. One Honourable Member insisted on saying that the Military expenditure was 50 per cent. of our revenue. I cannot subscribe to this view, for if the percentage is to be calculated for purposes of comparison with other countries, it must be calculated upon the revenues not only of the Central Government, but of the Provincial Governments as well, and if those two are combined, I think you will find that the percentage of Military expenditure is only a little over 30 per cent. The same Honourable Member described our frontier policy as 'aggressive.' I think from what I have said of Waziristan, it will be clear that I repudiate the epithet 'aggressive,' as we have only undertaken these operations by force of necessity. Another Honourable Member suggested that I was a bit flattered by the amount of attention that the Military Budget had attracted. I am not quite sure that it strikes me in that particular light, though perhaps it might strike him (A voice: 'No, no').

Another Honourable Member referred to the desire for developing the Territorial Forces, a suggestion which I cordially accept. It is a development which has been carried into effect during the past year, and which we intend to proceed with during the coming year. We have already some nine battalions in being, and we have taken money in this year's estimate to raise another ten battalions. Some are getting on better than others. But we hope—and we hope with some confidence—that at any rate in certain areas in India these battalions will become eventually a success.

Another Honourable Member said—I am not quite sure whether I understood him correctly—but he appeared to be somewhat emphatic in saying that it was desirable not to reduce the numbers in the Army, but to reduce expenditure. I entirely agree with him. That is really having your cake and eating it. It is a principle that I entirely approve of, and nothing would give me greater pleasure than to reduce expenditure. This is what I have been trying to do for the last twelve months, to reduce expenditure in the Army, and though I don't mean to say that I have got to the utmost limit that we can, I do say we have approached it very nearly.

Honourable Members have also referred to Indianisation, and in this matter I should like to make reference to a phrase that I made use of in a speech yesterday in another place, which has, I gather, been misinterpreted by some Honourable Members. I made the following remarks in connection with Indianisation and with India's progress towards Dominion status and self-government. What I said was:

> 'In company with other departments of the State, the Army must eventually be Indianised, but will it ever be possible either in the Army or in the Civil Service to completely Indianise them and to wholly eliminate the British either in the one or in the other? I venture to think that it will be at least several generations before any such development can actually take place.'

I went on to say that we were making a beginning in the case of the Army, and were starting schools for the education of young Indians. Now

I understand that my remarks have been misinterpreted as meaning that the Government of India propose to defer the policy of Indianisation for many years. It was far from my intention to convey this impression. On the contrary, I am endeavouring loyally to carry out the policy of the Government of India, with which I am in complete accord, to substitute Indian for British officers in the Indian Army as rapidly as is possible, consistently with the efficiency of the Army, for which I am responsible. All that I meant to convey by my remarks, which in this connection were an expression of my personal views, was this, that I do not believe that India will wish for several generations, if indeed ever, to deprive herself entirely of the services of British officers, both military and civil, who have done in the past, as they will assuredly do in the future, great work for this country, to which so many of them have devoted the best years of their lives. (Hear, hear.)

The HONOURABLE SIR DINSHAW WACHA: Sir, it is no doubt a matter of profound regret that the financial condition of the country at this moment should be so parlous as to evoke a public cry the echo of which we have heard in this and in the other House. But as far as the deficits are concerned, I am trembling now, particularly after the remarks which were made by the Finance Member in his speech, that the deficit of the nature of the current year might continue not only in the coming year but for some years together. That remark points out that our financial position has greatly deteriorated, particularly in the last four years, say from 1918. That being the case, I do not know where the finances of the country may drift to. It may be that we are perhaps on the brink of what I may call a Niagara of deficits in the future; and the question is, whether it is possible for us to stem the tide, the floodgates of which are now burst open, or to sit with folded hands, and agree to everything that Government may propose in order to meet those deficits. Governments in every country no doubt often find themselves in that awkward predicament in which the Indian Government has found itself to-day. Whatever may be the condition in the present day of Central Europe, we, at least, in India, have escaped all those ravages and devastations that have gone on during the war. India suffered absolutely nothing so far as the war was concerned; rather I should say and I wish my friends here, the non-official Members, to remember that it has benefited a great deal by the war, not only economically, but in other respects. Where would India have been but for the Navy; where would India have been but for the way that England and France fought together side by side with our brave Indian troops to put down that bastard Imperialism which had threatened to sweep away the great civilization which the world acquired within the last 50 or 100 years?| The fact is this, that were it not that England, the Home of Freedom, was fighting on the borders of France, and shedding the blood of millions of the flower of her sons, India would not have been saved. What would have happened had India been whirled into the vortex of the war? What might have been her condition to-day? I ask again my non-official friends to remember, accurately, impartially and justly, whether India is not to-day in an infinitely better position in every way on account of the war, because it has escaped all the horrors, the devastations and the costly expenses from which all Europe has suffered. On the other hand, it is well known, as the favourable balance of trade showed, that during the war period India gained, gained ever so much, that in the last two years following the Armistice there was a boom, boom in industrial concerns, boom in joint stock concerns and boom in other numerous concerns floated with a capital which mounted up, I believe, so far as my memory goes, to something like two hundred crores of rupees. Where did India earn all that favourable balance of trade during the war period and a couple of years after? Go back to the last ten years before the war. Could anyone assert that India would have gained so much in trade, ordinary, normal trade? No. I think I can challenge anybody who may say that India did benefit as much during the pre-war days, or even prior thereto. Therefore, India stands to-day in a stronger position so far as the economic benefits that accrued from the war. If her financial condition has of late unfortunately received a rude shock there are no doubt causes for it. Those causes, I believe, have been very ably and lucidly put forward fully, frankly and courageously, by the Honourable the Finance Minister. There are two broad factors which have contributed to the present financial position of India—the internal factors and the external factors. We know what those internal factors are, particularly one which grievously affects us because of the famine of the previous year (1920), famine which always leaves its baneful after effects on the year subsequent thereto. All those conditions have to be taken into account. Other internal conditions are at present in the melting-pot. India is somewhat in a chaotic condition at present and has suffered and is suffering on that account. We must seriously take that element also into account. When we take all these things into our consideration and couple with them the

distracted world factors, I for one am not surprised that there is such a very huge deficit. But, when I say that I am not surprised, I must qualify my statement by at least one remark, and that is this, that there has been going on for some years, if I may say so, an accumulation of small deficits. If Honourable Members will only closely study the financial statements of the last 10 years they will find one thing. I think my Honourable Friends, the Finance Minister and his Secretary, will correct me at once if I am wrong in saying that during the last few years expenditure has been allowed to out-run the revenue. That may be allowed in one year; that may be allowed in another year; but when it goes on year after year, I am afraid, Sir, we are inevitably driven to come to an impasse, and the day of reckoning must come. That day of reckoning has come upon us now. The cumulative effect of all these small deficits that have gone on for some years past has brought us to this stage, combined, of course, with the other factors to which the Honourable the Finance Member has referred. I should say that if the last 10 years' continuous revenue is taken, it will be found that, were it not for the railway surplus which it is the practice to merge into the general revenue account, we might have been in a very different state. I think I have calculated, of course I speak from memory, that from 1911-1912 up to 1920 the case has been this: if you deduct from the general revenue the railway surplus, you will find that in almost all the years there has been a material deficit. Of course, that deficit was not seen because of the merging of the railway surplus there. But if you deduct that surplus you will see in its nakedness each year's deficit almost. I do not complain of it. The dire necessities of Government were great, and, of course, they had to use that surplus, though I am one of those who for years past have been speaking about it as an unsound practice that the railway surplus should be merged in this general revenue account. My contention was that it should always be exclusively used for the development, further development, and extension of railways alone. Had that been the case, it is possible that the railway conditions might have been better and there might have been some alleviation of the congestion of traffic about which the public, specially the mercantile public, have complained. But that is not our concern to-day. What is past is past. I did not mean to refer to it, neither do I want to blame anybody. There is an end to it. There is, however, no doubt that this fact has added to the present dismal situation to which the Honourable the Finance Member has referred, and which has obliged him to come before us with a very heavy bill of enhanced taxation. We very loyally submitted to the taxation of the current financial year which was about 19 crores. For the coming year, of course, it has gone up to 31 crores! Now, Honourable Members in this House, as elsewhere, have no doubt greatly objected to many of the items of this new taxation. Some of them object that there is a tax on Salt, a tax on Kerosene, a tax on Matches and one thing or other, which, of course, greatly affect the domestic economy of the masses, the poor masses. My friend, the Honourable Sir Arthur Froom, suggested in his speech that there are no poor masses at all or, if there are poor masses, as far as mill labourers are concerned, they are very happy and well-off. That may be. But even taking all the textile operatives, not only in Bombay and Ahmedabad, but in Calcutta and other places, including Madras, there is a large mass of the labouring classes who are poor and eke out their existence from day to day and who, during famine time, flock to the relief works in order, of course, to gain a little food and a little money. . . .

The HONOURABLE SIR ARTHUR FROOM: But they do not work.

The HONOURABLE SIR DINSHAW WACHA: It is not the case that they all do not work. Sir Arthur Froom is entirely mistaken. I admit at once that the mill hands in Bombay and Ahmedabad have latterly got so much increase to their wages that they do not, of course, attend to their work for 26 days of the month but for about 20 days. It is a fact that by working for 20 days they get more money than what they used to get before for 26 days. Their wages have been increased by hundred per cent. and more. But we are talking of India as a whole. We must not mix up one section of the labouring community, which is very happy, with the larger classes of labourers, the millions, who are eking out their daily subsistence. Remember also that we are just now in a good year with prospects of a rich harvest. Heaven forbid, supposing the next monsoon fails, of which, as we all know, we may not be too sure, what consequences may follow? I think more than one Finance Minister has said before that as far as our finances are concerned, it is a "gamble in rain." That rain-gamble also goes to upset a great deal of the financial position of the Government. I say, Heaven forbid, if to-morrow there is another famine in the country, if not a general famine, famine here and famine there. No doubt the provinces are expected to find relief to a certain extent under the Reforms Act—what aid the Government of India will give to them when they come up to it for relief is another matter. When all these contingencies are considered I do say that, as far as the millions of the poor are concerned, the poor are

poor. They are always poor from the days of the world. Their lot is the same everywhere, and it is not in any way exceptional to this country. But having regard to the fact that we have got our large mass of the poor, the question is whether a duty on Salt is expedient just now. I do not say about other taxes, but this Salt duty is one which is particularly hard. It has been said that it only comes to 3 annas per unit. I admit that statement. But that is not the only thing. Matches, Kerosene oil and other things all combined together go, of course, to swell the expenses of the poor. Many a mickle makes a muckle, and in the case of the poor this is all the more true. As my friend the Honourable Mr. Kale pointed out, there is local taxation and provincial taxation apart from Imperial. It may be very small but even this combined small taxation for the poor is too much and it adds, of course, greatly to the expenses of their domestic economy and brings them on the verge of hardship and inconvenience, if not semi-starvation. Therefore, I say that we have to look to the condition of these poor masses first; and in this connection it is said that the Excise duty on cloth makes it a great deal worse for them. Now, I am one of those who from the very beginning, when the Excise duty was first introduced in 1895 or 1896 opposed it, opposed it not only individually, but opposed it in my capacity as a Secretary of the Bombay Presidency Association. We sent long memorials to the Government of India of those days. I do still maintain that the Excise duty is most burdensome because it hits the poor. I have not known in the whole industrial history of Europe or America for a century and more that an Excise tax is put upon an indigenous industry, whatever that may be. Nowhere is it being levied, and I should certainly be glad to be enlightened by the Finance Minister if he can inform us that there is a country in the world to-day where Excise duty of this character has been levied for years and years. Of course the millowners are flourishing and they agreed to the 3½ per cent. duty which has been levied for years. Now it is going to be increased. It may be that this additional 4 per cent. duty on piece-goods may not perhaps injure the millowners themselves, that is to say, the manufacturers; but it will certainly injure the poorer classes. As the Honourable Mr. Kale very rightly said the production of cloth is not materially increasing in India and the imports of Manchester cloths are diminishing year by year—I find it has reduced the import duties for the current year by nearly two crores of rupees. What then will be the effect of putting this extra duty on cloth which will be something like one anna per yard? The greater reason for which I fight against this Excise duty is this. Everywhere, even in the case of the income-tax, what do you do? You take the tax on an earned income. Here, it is not a tax on income, it is simply a tax on production, which I consider to be most inequitable. Suppose you grind and labour to produce ten thousand pounds per day, but if that quantity will not cover your cost are you to be made to pay a tax on the loss you incur? I consider that to be a monstrous thing. It is an inequitable tax, against which I have been fighting and fighting for years and against which I fight to-day. I say it is most unsound and unfair, and it is even worse than an income-tax, because you are asked to pay on your income. But here you are asked to pay on your loss. What I say is that, if by any means this additional duty is given up, it would be far better and I think it would create a great deal of contentment amongst the masses. Well, they have for the last few years been paying a rupee and a half for a pound of cloth for which they used to pay 8 to 12 annas before. In other words they pay now 6 annas per yard which sold previously for 2 or 3 annas. In this Excise duty upon cloth, of course the profiteers will put on their own profits, apart from those of the manufacturer, and the middle-man his, and last of all the small retailer. Thus, this Excise duty on cotton will eventually fall on the head of the ultimate consumer and, since everybody wants cloth, the burden that will fall on the masses will be exceedingly heavy. Therefore, I appeal to the Honourable the Finance Member and to Government to consider the incidence of the duty from the point of view of the poor Indian humanity. It will never do to see these poor people going without cloth. Many children go naked about the streets because we have the sun. Children in England could not do so. They may go without shoes but they cannot go without clothes. Here in India, where we have the sun almost always, owing to the climatic conditions children go about naked till the age of 5 or 7 years. All these are conditions which have to be taken into account.

Then, as to Salt. I need not inform Honourable Members that the salt duty was very heavy before Sir John Strachey in 1878 revised and equalised it for all India. In some provinces it was 3½, in some provinces it was 2½ and in some provinces it was 2 per maund. Sir John Strachey did the wisest thing by abolishing the big salt cordon which went round the whole country, and at the same time reducing the duty to a flat rate of 2½. That remained so till the Honourable Sir Evelyn Baring, who was afterwards Lord Cromer, the great regenerator of Egypt, as our Finance Minister, found our financial conditions so favourable in 1882 that the first thing he

did was not only to free India from all revenue import duties except those on Arms, Ammunition and Liquors, but also to reduce the Salt tax. If India has since prospered exceedingly, it is because of that free-trade policy which Sir Evelyn Baring introduced, but which our Neo-Protectionists of the hour are now going to supersede. What would be the effect I cannot say, though, what Sir Ibrahim Rahimtulla, the King of Protection, acting as Chairman of the Fiscal Commission might recommend I cannot say. Coming back to the point of this Salt duty, I may observe that the Honourable Sir Evelyn Baring reduced it by eight annas. The Bengal Chamber of Commerce, I believe, and some other people said:

'This does not affect them much, it is not more than 10 or 11 annas per year per head; why do you reduce it, why do you forego it?'

The Honourable Sir Evelyn Baring gave a very good reply and I wish that every Member of this House, every Member of Government, will also remember that reply. He said:

'Eight annas per year even to the poorest man is very much. It gives him a *dhoti or a lota.*'

Now, if all this extra taxation on Matches, Kerosene oil, Salt and Cloth are taken together, it will make a very large sum. It will be more than eight annas per head, and you must consider what these eight annas and more per head will mean, especially if you also take into consideration the diminishing purchasing power of the rupee. I admit that, as far as the purchasing power of the rupee is concerned, everybody is suffering. The Government themselves are suffering and I further admit that is also a cause of this deficit. But I do say this, that the Salt tax is a very burdensome tax for the masses and, if by any means the Government of India and the Finance Member could see their way to keep it at Rs. 2 or Rs. 1-8, that is only increase it by eight or four annas more, I think it would be a very great relief. The Finance Member and the Government of India would earn the gratitude of the masses. I do hope and earnestly hope that, notwithstanding that the financial conditions are bad, they may be able to find some other means, some other resources, wherewith to recuperate the reduction which they might make in the Salt duty.

Then, Sir, I wish to speak also on the subject of Machinery, Stores and other kindred commodities. Of course, the millowners are no doubt crying out against the taxation on these, and perhaps, it is natural. Everywhere there are what you call interests and interests, and every interest tries to protect itself. It is so in Parliament. In the lobby there during a Budget time you will find the railway interest tries to get as much relief as it can for railways, other industrialists do the same. The iron and steel manufacturers, the Lancashire manufacturers all scramble together, saying to the Chancellor of the Exchequer to reduce this and reduce that. It is human nature, but I do say that, apart from the millowners, we are now embarking on an industrial development of a very extensive character. In these circumstances, is it wise, is it expedient, is it financial statesmanship to increase these duties on Machinery very high, from 2½ per cent. to 10 per cent? That is too much, and I think that, if the Finance Member will only be content with taking five per cent. everybody will be glad. The same is the case with Stores and other articles which all go to increase the cost of production. The cost of production in one thing or another falls on the ultimate consumers, and the ultimate consumers are the masses. Therefore, the burden eventually falls to a large extent on the poor and, if the maxim of economists is true that taxes should be so adjusted that those who are most able to pay should pay the most and those who are least able to pay should pay the least, if that be the case, then I ask who are the least able to pay but the masses. Will you not do anything to alleviate the heavy burden of the masses? Why make them discontented? Sound finance is the bed-rock of national prosperity, and sound finance means that you must keep the masses contented and prosperous. That being the case, Sir, I would only appeal to the Finance Member and the other Members of the Government to see if they cannot find a way to reduce the Salt duty, to bring down the Excise duty to 3½ or 4 per cent. and also to make a reasonable reduction on Machinery and Stores. There is always a way to be found if one is sought. But I will no longer refer to this subject. Time is passing.

I wish however to draw the attention of Members to another matter. What will be the effect of this present heavy taxation—30 crores of additional taxation—supposing that it is imposed. What will be the effect on the country itself? Will you not be diminishing the ability of the tax-payer? And what is then to happen next year when there may be another deficit, as the Finance Member himself has forecast, when the ability of the tax-payer to meet his fresh demands has been reduced by the present taxation? The condition of India being what it is, while international trade and commerce remain in the present chaotic condition, I do not

believe that we shall get out of this mire of deficits for the next five or ten years. Are we then to face a deficit every year? That is a very serious consideration and will require financial statesmanship of the highest rank from whoever may be the Member for Finance. We are entering upon a very troublous and parlous condition of affairs, and I think it will be wise and expedient on the part of the Government to see that the taxes are not imposed which will overburden the already greatly burdened tax-payer. You will break his back and then there will be no hope indeed. This is merely an adversity Budget. The adverse circumstances of the times have necessitated it. But if these adverse Budgets are to continue from year to year, and if taxes are to increase more and more, it goes without saying that you will materially diminish the ability of the tax-payer till at last he will be unable to meet any demands. Where shall we be then? Perhaps in the lowest depth there may be a still lower deep threatening to devour all. Is that a stage which the Government wishes to reach? I hope not. If this avalanche of deficits, if this Niagara is going to flood the whole country, we will be overwhelmed and swept away in the tide of financial ruin. During the last 50 years India has prospered. Are we going to make her more prosperous by encouraging her industries, manufactures and trade, or are we going to impose a crushing burden of taxation on taxation of a particularly unproductive kind which shall impoverish it? I would not have so much objection if the expenditure was of a productive character. But that is not the case. We have a large unproductive expenditure; and of this unproductive expenditure the military expenditure is the most unproductive. None can deny it. I am sorry that His Excellency the Commander-in-Chief is not here at present to listen to what I am going to say on it. He observed this morning in his speech that it is impossible to reduce military expenditure any further. He has reduced it to the irreducible minimum. But what is the cause of this expenditure? His Excellency further said that if the Provincial revenues were taken into account the percentage on military expenditure to the total revenue will be less. I am afraid His Excellency was not quite correct. I have some figures here for the years from 1911-12 to 1919-20. In those years Provincial and Imperial revenues were combined. The Provincial revenue has only been separated since 1921-22. But what was the net annual expenditure on the military for the seven years from 1911-12 to 1919-20? From the Parliamentary return of those years I find that the ratio of net military expenditure to net revenue was 69¾ million pounds per annum. And what was the ratio during the remaining two years namely, 1919 and 1920? While the annual expenditure during those 7 years was 6.93 million pounds per annum, during the two following years it was 11·7 million pounds per annum. What does that show? This only that the Army charges have gone up higher and higher. There are two matters about this military expenditure which have led onward and onward to the increase. One is continuous frontier expenditure. The other is the fatal Army amalgamation of 1859. India has cried aloud during the last 40 years about the second one. It is the one about which the Indian Government itself has written despatch after despatch to Secretaries of State. Lord Lytton, who was himself the author of what is called the 'scientific frontier', sent a despatch to the Government of England in 1878. Lord Lytton was followed by Lord Ripon and Lord Dufferin and others. But the question still remains unsolved. The War Office is absorbing a great deal of the revenues of India. Why, because the War Office demands year after year its pound of flesh in pursuance of the amalgamation scheme? And what is that pound of flesh? Nothing but this, that India has been made an unwilling partner under that amalgamation scheme and is forced to pay huge sums for soldiers' pay, depôts and other matters. Professor Fawcett, who was a Member of Parliament and sat on the first Committee on East India Finance from 1871 to 1874, and who was a master of the art of cross examination, brought out from various army experts who were witnesses, the unchallenged fact that the amalgamation scheme was at the root of the great mischief which Indian military expenditure was creating on the revenues of India. It was an amalgamation, as he said, of two countries, poor India and rich England. It is something like a partnership between two men, one with an income of £1,000 and another with an income of £20,000, the former being something in the nature of a sleeping partner with no voice in the business, but paying every pie that was demanded, just or unjust. The War Office calls for the tune and India has to pay the piper. That is the whole essence of the amalgamation! It is a contract between a poor man and a rich man, and the rich man quietly smokes his pipe and says to the poor partner, 'kindly foot this bill.' The poor partner does not know why he should pay; but all the same there is the partnership, and a contract is a contract which cannot be got out of; and in that way India has paid through the nose year after year from 1859 till to-day whatever sums demanded, counting by hundreds of lakhs. Unless and until this amalgamation scheme which is ruinous and mischievous is abolished nothing that you can do will reduce your Military expenditure. But you will

never be able to abolish this amalgamation scheme until, not only the Members of this Council and the Government, but the general public emphatically cry out against it and say that India can no longer suffer this amalgamation scheme to go on. Then only will your military expenditure be reduced but not otherwise, whether Waziristan is or is not evacuated and other Frontier activities cease. I tell you plainly and you will remember my words,—I am an old man nearly 80 years of age and may die to-morrow—that, unless this amalgamation scheme is abolished, you will never get out of the clutches of the War Office which, tyrant like, keeps an iron grip on India. That is the position of India so far as military expenditure is concerned, and it is the one potent cause above all other causes. It is the *root cause* of the annual disturbance to our revenue.

I am sorry, Mr. President, that I have overrun my time, like the Finance Member who allows to overrun his expenditure. But I will now conclude by saying this only; I most earnestly appeal to the Government of India to do everything in its power to put an end to this ruinous amalgamation and to speedily put its financial house in order. I appeal to all the Members of the Government of India to put their heads together and see how far they can at least reduce this Salt duty and the Excise duty on cloth and give what relief they can give to the tax-payer. If no relief can be given then there remains one last resource which, though to be condemned on abstract economic principle, must be deemed as a practical expedient. The Honourable the Finance Member asks what is the use of borrowing? I admit that borrowing is a very unsound principle for meeting a deficit, but sometimes a desperate disease requires a desperate remedy. In that case leaving alone the Salt duty and other objectionable taxation, borrow 10 crores of rupees at 6 per cent. interest for 25 years. You will have only to pay interest to the extent of 60 lakhs of rupees every year, and if you will try to liquidate that loan in 25 years, you will have to set apart 40 lakhs more for reduction of the loan every year, say a crore in all from the annual revenue. That will be spread over 25 years, and in that way the financial troubles of the Government of India may be relieved and industrial development can be allowed to smoothly go on. Such an arrangement will make the people more contented and prosperous than they are, and free the Government from all adverse criticism. With these remarks, I resume my seat.

The Honourable Colonel Sir UMAR HAYAT KHAN: Sir, there are always two sides of the shield, and we who live in the Punjab near the frontier have to think differently. History will show that the Punjab has always been invaded and hundreds and hundreds of villages have been left without any population. It is true that for some time we do not see this. When there are some hardy nations who are now more or less taking up conscription, we have also to be alive to that. All the other provinces have never been invaded and the Members from other provinces have no experience of invasion, because each time the invaders have come they have come up to Delhi and stopped there. We have been the sufferers. It is for this reason, Sir, that I think the Army should be kept efficiently. There has been something said about amalgamation. If we had not gone from here and the Army in France and elsewhere in other theatres was not one, and managed by the same department, I think we would not have had the success. The Kut affair is very well known, the reason was that the news from India did not reach the place and the enemy was under-estimated. I think the Army as a whole is a thing that we want efficiently to be maintained. How can we do without it? Then again, Sir, take the Department of Education that is now started in the Army. It is the business of the Education Department to have these men educated. Hundreds and thousands of these men get educated in the Army, and that money is also added on to it. After all they are men in the Army. These are poor whose lands are not sufficient to maintain them. They require to live. If all these men were disbanded, they would have no means of living. It is also felt by the martial classes who have fought in the last war that they were taken away from their own professions and when they came back after hard fighting, they were put to trouble by being thrown out, being disbanded. On the whole I agree with the Budget, but there are one or two things, which, to be true to my constituency, I must point out. Some of them have been pointed out by the other Members. The most important of them is that the poor should not be taxed. One particular class of people have escaped taxation, and that is the capitalists and the money-lenders. We cannot tax them, because many of them do not show their accounts. They have got many sets of accounts, one for the Court, one for themselves and the other for departments. If every district were to sell standardised books and there are water-marks and the stamp on the paper, and if it is insisted on that only those books should be allowed to be put forward in Court, and if such books as are standardised and sold, are produced before the taxation department it is then that you can tax them properly. Hitherto, we the

agriculturists have been taxed for them. Again, Sir, of course the Punjab and other provinces have been paying for Bengal which has got a permanent settlement. We ought not to pay for them. Let them tax themselves, if they like, for their own expenses. (Hear, hear.)

Then, another thing that is worth putting before this House is that the chaukidars, lambardars and policemen are low paid and they, therefore, have to live on the country. All the wrongs that they do are dubbed on to the Government, and this is one of the causes of discontent. If these people were appointed by the local people themselves, then directly they misbehaved, they could be dismissed. Now, the dismissing authority is different and the appointing authority also is different, and the people who are suffering have no voice in the matter at all. I think the more the people are associated, the better it will be.

Only one thing more I wish to point out. I refer to the tax on Machinery. India, requires machinery, and when it is only a young country in that respect to nip it in the bud is not a good thing.

I hope due consideration will be given to the suggestions put forward by the Members before the Finance Member. On the whole, I think I can congratulate the Finance Member on the success of the Budget.

The HONOURABLE MR. E. M. COOK: Sir, I do not propose to deal in any general way with the criticisms which we have heard to-day. I only rise to offer a very few, brief and somewhat disjointed remarks in response to several requests that have been made for information. In the first place, the Honourable Mr. Lalubhai Samaldas has been in some trouble about these Railway annuities. He maintains, I think, that there is some discrepancy between the figures in the blue book and the figures in the pink book. I can assure him that the matter is perfectly clear and that the pink figures are really the same as the blue figures, if you look at them together. The Honourable Member will find, if he opens the blue book and the pink book at the same time, that the total annuity payment in 1922-1923 (page 2 of the pink book and page 303 of the blue book) is £3,357,500. Now, if you convert that at Rs. 10 to the pound, you get 3 crores and 35 lakhs; if you convert it at Rs. 15 to the pound, you get 5 crores and 3 lakhs. That accounts for the difference. Out of that 5 crores and 3 lakhs, 1 crore and 17 lakhs represents real capital payments, and the remaining 3 crores and 86 lakhs represents true interest charges.

The Honourable Mr. Lalubhai also said:

> 'What about this 6 crores that is appropriated in respect of interest on our paper currency investments?'

I should like to remove one slight misapprehension that he is under, and that is that it is not 6 crores in respect of the paper currency investments; it is roughly 3 crores. If he turns to the table on page 331 of the blue book, he will find that out of those 6 crores, about 3 crores, including the Exchange adjustment, is in respect of the excess assets of the Gold Standard Reserve about £40 millions. I don't wish to prejudge any discussion that may take place subsequently, on some other day, as to the merits of this appropriation; but I must point out that the effect of not making it would be that we should be borrowing from the Gold Standard Reserve, and it is, I think, at least questionable whether that would be a proper solution of the difficulty.

I think one Honourable Member asked for some details of the 4 crores and 5 lakhs, which was mentioned in the Finance Member's Budget speech as representing the extra revenue which would be obtained by putting up the 2½ per cent. duties to 10 per cent. The estimate is as follows: 185 lakhs from Machinery; 110 lakhs from Iron and Steel and 110 lakhs from Railway plant, making up a total of 405 lakhs.

Another Honourable Member gave a figure of 25 crores as the total expenditure on Waziristan. The correct figure is 20 crores and 11 lakhs, up to the end of the current year.

I think the only other point I need trouble the Council with, at this late hour, is the Honourable Mr. Sethna's remark when he suggested—or so I understood him—that some of our accounts are kept on a 1*s.* 4*d.* basis and some of them on a 2*s.* basis, and I rather got the impression that he was not quite satisfied that there had not been a little concealment somewhere, more particularly as regards the true Military expenditure. This budget has been called all sorts of names, but, except by my Honourable friend, it has not been called equivocal. The Honourable Mr. Kale has corrected the Honourable Mr. Sethna, to some extent, and has pointed out that the figures are all on the same basis. The accounts are on the 2*s.* basis, and an adjustment has therefore to be made in order to bring the Home charges back to the true market rate of exchange. In the case

of the commercial departments that adjustment is made under the head concerned, but in the case of the non-commercial departments it is all lumped together under the head 'Exchange.' That has been the practice which has been followed for many years; whether it is a good or a bad practice I won't argue; but why raise this only about the Military expenditure? My Honourable friend might have raised it about any of the other non-commercial heads. (*A voice*: Particularly about Military expenditure). If my Honourable friend's observation is merely a request for information, then it is all right, but I hope that he is not making any suggestion that we were tucking away something which we would not like the public to see. If he looks at the figures of the Home charges given in the blue book, he will find that the Exchange adjustment on Military expenditure in 1922-23, which will be taken to the head 'Exchange,' works out almost exactly to 5¾ crores . . .

The HONOURABLE MR. V. G. KALE: Therefore the Military expenditure is not 62¼ but 68. That is my point.

The HONOURABLE MR. E. M. COOK: The Honourable Member put the point not so directly. I got the impression that he thought we had tucked something away somewhere. I now present him with the information that the adjustment is 5¾ crores.

The HONOURABLE MR. V. G. KALE: Then the military expenditure is 68 crores instead of 62¼.

The HONOURABLE MR. E. M. COOK: I think my Honourable friend's arithmetic is correct. Of course the same adjustment would have to be made for the current year, as also for past years.

I should like to have dealt with one or two other observations, but I do not wish to interpose between the Council and any other Honourable Members who wish to speak. I should, however, like to say that I don't admit that we could fund these deficits by increasing our borrowings. With very great respect to the Honourable Sir Edgar Holberton I don't admit that the Government have been too cautious as regards their ordinary annual borrowings. It is quite true that our rupee loan this year was 49¼ crores, but he must remember that of that amount nearly 20 crores went to the discharge of war bonds, and about 5¼ crores was lent by us to the Bombay Government, instead of their floating a loan themselves; so altogether only about 24 crores could be regarded as new money. We have entered 25 crores as our rupee loan this year, and also new sterling loans of £16 millions. I don't think, having regard to the state of the market for Indian sterling securities, and to the fact that this year we have very few war bonds maturing, that my Honourable friend can fairly say that that estimate is over cautious.

(At this stage the Honourable Sir Maneckji Dadabhoy left the Chair.)

The HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU: Sir, it is unfortunate for us that we who are in the second year of our existence are asked to face a budget which is worse than the previous one.

The Council must be doubtless aware that 87 per cent. of the population mainly depend upon agriculture. The Indian farmer is one that deserves sympathy from the highest to the lowest. The Indian peasant is proverbially poor. He depends mainly on monsoon conditions and a single drought upsets him. He cannot boast of even one hearty meal a day. He toils day and night being wedded to the soil. His income is fixed. His condition is not in any way bettered. The increase of taxation proposed on Salt, Yarn, Kerosene Oil, Post and Telegraph, and Railways may heavily press on him. I would plead on his behalf that he must be left undisturbed. Ryots must be allowed to travel as formerly without paying the extra 25 per cent. railway fare which the Government propose to levy. Let them enjoy the privilege of writing upon the quarter anna post-card. Instead of constructing the costly strategic railways on frontiers, may I venture to suggest that it would be profitable to construct tanks to facilitate irrigation? It will not be out of place, if I mention that a network of irrigation schemes as pointed out by the great Engineer, Sir Arthur Cotton, would be an advantage to India.

5 P.M.

It is a fundamental principle that Expenditure must not exceed Revenue. The Government well knew the financial crisis of India. It is a wonder how the Government of India recommended the general increase in the salary and allowances for all the higher services in India without bestowing any thought upon the limit of their resources.

His Excellency the Commander-in-Chief, Lord Rawlinson, declared the other day that he, as military expert to the Government of India, cannot advise them to reduce the Army from what he considers to be an irreducible minimum. Last year the Government increased the expenditure on the

military from 40 crores to 62 crores of rupees. The increased expenditure may be said to be due to the reorganisation of the Army which was begun by Lord Kitchener and given effect to fully last year. A committee sat at Simla to inquire into the requirements of the Army. We are at a loss to know whether that committee was entrusted with the task of retrenchment also. Military expenditure is swallowing up more than half of our income. It has grown intolerably costly. Much money is already sunk in the unfortunate Waziristan. The little affairs on the frontier as they are called really cost us a mint of money. It is for the military experts to tell us when we shall get rid of this incubus. When Mr. Geddes is able to show an appreciable reduction in the Army expenditure in England, is it not open to the Government of India to pronouce what amount could be reduced in the budget for the Army?

It passes one's comprehension that His Excellency the Commander-in-Chief, with all his efficient Army, could not put down at once the rebellion in Malabar. It is sad to reflect that he allowed it to last for many months and we have not seen the end of it yet.

Even as early as 1881 Lord Ripon, whose Viceroyalty is enshrined in the hearts of India's millions and who, it must be remembered, had to face an Afgan War, the legacy of Lord Lytton's forward policy, and its concomitant frontier troubles, vigorously protested against an increasing Military expenditure. Writing to the Duke of Cambridge, Lord Ripon said:

> 'It is impossible for the finances of India to bear the burden of additional military expenditure. Every branch of our civil administration is already starved.'

When so long ago as 1881 it was found that Military expenditure had reached the limits of endurance by the people, I need not point out that its steady increase in the interval of 42 years which has elapsed, has gone beyond those limits, and no wonder that the cry for retrenchment is insistent and real. In this view I am glad I have the support of no less an authority than the 'London Times' which in referring to this year's budget says 'that the budget need not have been so large while India's military expenditure has become disproportionate to her Imperial revenue', and it urges the Government to terminate the forward military policy on the North-West frontier.

In saying this I am aware of the situation created internally by non-co-operation of which we have had a tragic instance in Malabar. I dare not suggest a sudden reduction in the strength of our Army, but may I not hope that means will be found and a programme will be adopted, as early as possible, for a gradual and a steady reduction in our military budgets, so that the burden may be eased though not at once, but in the course of a definite number of years?

After all, let me console myself that the additional taxation which we and the Government are forced to impose on the people, will not be a permanent fixture, but it will be removed soon after normal conditions come to prevail.

The HONOURABLE LALA RAM SARAN DAS: Sir, this Budget, I am sorry to observe, is very depressing and very disappointing. It is the primary duty of Government to keep its subjects contented, happy, and flourishing. I think this new proposed taxation does not tend towards this object at all. It is a matter for great regret that the Reformed Councils should have started not only with an empty purse, but with a big deficit every year. These growing deficits have enhanced the difficulty which our Finance Member has to face in tackling the Budget each year. The manner and the way in which he has tackled the Budget this year and has kept the Government solvent is looked upon with great dismay and resentment in the country. I would strongly recommend that the Finance Member may kindly recast the Budget and give the Budget a toning-down effect. The root-cause of the present discontent in the country is economic distress, and, in case this economic distress is increased, I think Government will find more troubles than it anticipates. Military expenditure, of course, is enormous and a number of my Honourable friends have greatly dealt with this matter. His Excellency the Commander-in-Chief has said that the percentage of the Military expenditure on our total revenue is not 55 per cent. but 30 per cent. Even 30 per cent. is very high as compared with the normal times. I cannot understand and I think Sir Edgar Holberton and Sir Arthur Froom, who seem to have justified this high Military expenditure, have not convinced this Council regarding the necessity of keeping up this I should say to a great extent, unnecessary expenditure. At present the European Army is all recruited in England and under the present system it has to be paid for at the rate of salaries which are paid in Great Britain. India is a much poorer country and it cannot, therefore, afford

to pay the wages which are current now in England. I would suggest that the European Army for India should be raised here and in that way I think a good saving can be effected. We have noticed that our Army expenditure has been constantly rising, and from 18 millions sterling it has now reached 42 millions. Of course, a great deal can be said on the point that, when other countries are increasing their armies, why should not India increase her armies? This competition, I consider, is disastrous in its effects, and for that reason a Conference was held at Washington which considered the reduction of armaments and the reduction of expenditure thereon. India, too, has, I am glad to observe, gone in that direction by coming to some terms with Afghanistan. We are, of course, liable to be attacked from Central Asia and in order to safeguard India, some Army is to be maintained. But in case treaties could be made with these countries, I think we can safely reduce our Army. New duties as now proposed are bound to retard the progress of our industries, and I consider that Government is adopting an inconsistent policy when it, instead of fostering the industries, gives them a set-back. India requires great industrial development, and it is only through the industrial development that the country can bear higher taxation or raise more revenues than it can at present. Sir Arthur Froom has depicted the picture of a poor Indian differently and Sir Dinshaw Wacha has given a right reply to that. What I want to add to that is, that a number of harvests have consecutively failed and that India has thereby suffered very heavily. The cost of living has gone up very high and there is a large portion of people who find it very difficult to have a good living. There are famines in the country and a number of people die of starvation. Of course, India has gained by the great war, but that great gain I find is in the matter that Indian armies have fought side by side with their British brethren and have gained and enlisted the sympathy of the British Parliament and of the world at large. Excise duty on cotton piece-goods will be considered and will be misconstrued in various quarters. As the Honourable Saiyid Raza Ali has already quoted the policy underlying this Excise duty, it is not, I should say, proper. British people are for free trade, but in this way they are trying to resort to protection of Lancashire. The import duty on Machinery has been increased practically four times, and this fact will be taken by the public as a great step towards retarding the industrial progress, and I would strongly advocate that, in the interests of the development of the country, Machinery should be treated free. It has been said that this budget taxes particularly the rich and not the poor. I do not agree there. What I think is that the poor are being equally taxed and taxed heavily. Salt tax, increase in Railway fares, increase in Postage rates and particularly in the Post-card, will be a great hardship on them. His Excellency the Commander-in-Chief has explained that in Waziristan the operations were simply defensive and that they were not offensive. Well, it is a great consolation to know that, because at present the finances of our country do not admit of any offensive operations. I quite agree with my friend the Honourable Sir Maneckji Dadabhoy that, although he and I both are against the export duties, export duty on seeds, bones, minerals, oil seeds, coal, hides and skin and jute be increased in case the finances of the country demand them. . . . . .

The HONOURABLE SIR MANECKJI DADABHOY: I did not refer to jute and minerals in my speech.

The HONOURABLE LALA RAM SARAN DAS: Very well, I add those items myself. What we see, Sir, to be the chief feature of the new budget is an increase in import duties alone, but there is no increase in the export duties. I see no reason that only the imports should be touched and that exports should be quite free. The loss of 16 crores in Exchange is simply deplorable, and some efforts should be made to avoid this loss in the future. Of course, I cannot at this stage say whether a Gold currency in India is advisable or not, but I should say that some steps should be taken either by the introduction of Gold currency of something else, by which such results may be avoided. One of the Honourable Members of this Council took Rs. 50 a month as the average income of an Indian. I disagree with him. I do not think our average income is even Rs. 30 a month. (Cries of 'Rs. 50 a year and not a month') I think you are probably right. My friend the Honourable Sir Umar Hayat Khan has cast a great slur on the commercial community by saying that they keep forged accounts or that they keep triplicate accounts for different purposes. I myself happen to be a zamindar as well as a business-man and I strongly resent that remark. Business-men keep more accurate accounts in their own interests than agriculturists, whose accounts may or may not be kept so elaborately. The Honourable the Malik Sahib has also drawn the attention of the House to the fact that capitalists and money-lenders are not being properly or adequately taxed. I differ there also from my Honourable friend, who, for all practical purposes, is a capitalist himself, because he himself, as an agriculturist, has to deal with the big produce that he gets from his lands.

I am glad to learn from His Excellency the Commander-in-Chief that ten more battalions of the Territorial Force are to be added this year, but His Excellency has not shown us what corresponding reduction has been made in the ordinary forces when this new force has been added to our present forces. On page 321 of the Demand Estimates, under the head of increase in column 1, I find that the increase in the price of food-stuffs and other consumable stores over the scale adopted in the Budget of 1921-22 is one crore and 83 lakhs. As far as I know the forward contracts for wheat and other food-stuffs are being entered into at comparatively very cheap rates, so I cannot find any justification for such a big item being retained here. I hope that the Honourable the Finance Member will enlighten us on this point, how the amount of 1 crore and 83 lakhs has been arrived at

As regards the Air Force, of course I am not an expert in that direction, but, so far, we have not seen that we have gained very much materially by the introduction of the Air Force, and, in case the Air Force has to replace the ordinary Army, in case the Air Force is considered to do more work because of its easy accessibility to any place, a corresponding decrease in the ordinary strength of the Army ought to be made.

Of course it has been a great satisfaction to me to hear from His Excellency the Commander-in-Chief that, in case the new Treaties with Kabul and perhaps with other countries come into effect and are adhered to by the Governments with which they have been made, he expects to show a great reduction in his demand next year. Of course, we all wish that there may be peace in the land and that the other Governments, I mean the other countries in their own interests, as well as in ours, might agree to this humane proposal.

The HONOURABLE MR. K. V. AIYYANGAR: Sir, I have little to add to what the non-official Members of this Council have said, but I want to add a few words on one or two points. His Royal Highness the Prince of Wales in his speech at Madras assured us that our voices are respected in the Councils and they go to frame the policy of the Government. All right-minded gentlemen of the ruling race, who believe in the higher destinies of the Indians, are of the same opinion. Let us dismiss from our minds the silly outpourings of such diehards as the President of the Bengal Chamber of Commerce who has the other day tried to discredit the Government as influenced by Resolutions in the Legislature.

In examining the Budget that is before us we feel and hope that the Government will be responsive enough to consider favourably the wishes of those who are co-operating with them for working out the reforms with success and who are at the same time here for doing good to the country. The Budget that is before us is sure to press very heavily on the poor and also to wipe out the nascent industries of the land. In the face of hard facts no sophistry or threats can influence us to take any other view. Even the Secretary of State a few days ago has said in Parliament that India is a highly taxed country. Let us examine the difficulties of Indian textile merchants in the light of fresh taxation proposed, and in doing so I would be only adding to what the Honourable Sir Dinshaw Wacha, the Honourable Mr. Sethna, and others have said about them. The income-tax and the super-tax on the millowner comes nearly to half of his profits. Added to this a 10 per cent. tax is put on Machinery in case a new mill is to be started. And the *ad valorem* duty of 7½ per cent. on cotton manufactures works out to nearly 30 per cent. of the net income. Then there is the tax on advertisement. While the packet post containing foreign advertisements are allowed to be imported free of duty, the Indian merchants are handicapped by the heavy duty put on paper, etc. With the increase of Salt duty, Postage, Cloth, Kerosene, Match boxes and the increased Railway fares, the Indian millowner will decidedly have to pay a higher rate of wages to the labourer. Apart from the standpoint of the millowner, even if we take the standpoint of the poor people, as was pointed out by the Honourable Mr. Kale, the tax on cloth will be a very heavy burden on the poor. The Indian-made cloth is, as Mr. Sethna drew our attention to, used only by the poorer classes. Even in these days of Indian cloth boom very little margin of profits will be left, while in ordinary times this industry is bound to perish if this high duty is continued for years. With all these difficulties, coal cannot be obtained very easily and it has to be imported all the way from England. Though no sympathy can be felt for the millowner who imports foreign yarns and weaves here, yet it should be said that that trade of the millowner with a five per cent. duty on yarns is doomed for ever. The Indian millowner fares this way and I need not dilate upon the condition of the poor people under this Budget. It is feared that the cost of living will nearly be doubled with the increase of the Salt and Sugar duty and a rise in the price of Cloth which the poor usually wear. The wishes of the representatives of the people should be respected when they emphatically protest against a tax being levied on

two essential necessities of life—food-stuffs and cloth. The duty on Kerosene, Match boxes and increase in Railway fares and Postage is also sure to press very heavily upon them.

The touchstone of the Reforms is the economic progress of the country; and if in the Reforms we see only very heavy taxation without corresponding benefits in the shape of improvement of education, irrigation, sanitation and industries, we have to agree even with the leaders of those who do not co-operate in running the Reforms. They seem to be justified in saying that the policy now followed is only a set-back to Indian progress and not an advance.

In the name of Exchange so much injustice has been done to our land. We do not want to have the prestige of an Indian currency, but we would like to have pounds, shillings and pence instead of rupees, annas and pies. If English notes and English coins are introduced into India, I think half the trouble in connection with Exchange would end.

The merchant community in our Presidency view the proposed rise in the super-tax as very abnormal, and they term it, in a telegram that was handed to me this morning, ' confiscation pure and simple.'

Provincial finance too is very disquieting. The lion's share that each Province has to contribute to the Imperial Exchequer is taken objection to. Lately in Madras an ingenious but uncharitable charge was made on the Councillors of the Imperial Assembly and of the Council of State, to the effect that they have not moved the Council to effectively reduce the provincial contributions only because they were actuated by a motive, that is, that we consisting more of Brahman Members did not want to place more finances at the disposal of transferred subjects in the provinces and thereby attempt to bring unpopularity on the non-Brahman Ministers. Let us dismiss it as a base, unfounded and silly charge. The Members of the Central Councils should be credited with the forethought, that even if it be not for demonstrating the efficiency of the Indian Members holding the portfolios of transferred subjects, at least for the subjects themselves they would have exerted themselves to put more money into the hands of the Provinces. We Councillors have the wisdom to foresee also that during the next elections, when the Nationalist party is sure to be in a majority, they will be subject to the same handicap as the present Ministers are in the finances, and so the system of taking heavy provincial contributions should be mended in the initial stages by us. As a matter of fact, many Members in the Assembly and here have been exerting themselves in that direction. To come to the main issue in regard to provincial contributions. There is some force in the argument that only because there are the rtansferred subjects, the items considered to be of less importance, that little money has been allowed to be handled by the provinces. The authors of the Reforms anticipated that, if the provinces are allowed to have at their disposal the sum needed for their provinces, the Ministers would spend the money and would not support taxation to pay for the Imperial revenues. There is no doubt that the transferred subjects are starved and that the pruning knife has to be applied to cut them even below the level of the pre-transferred period. A Madras Minister has been telling us the other day that he had to cut short much of the necessary items of expenditure. . . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must get closer to the Budget.

The HONOURABLE MR. K. V. R. AIYYANGAR: At present both Provincial and Imperial Finances are in a very bad condition. I do not lament the loss in the Excise revenue from drinks or the loss due to the curtailment of the imports of foreign goods. Both these *are highly beneficial* for the moral and economic progress of India, and in course of time the Government as well as the representatives of the people have a duty to perform in seeing that these two items of income are wiped away from the Indian Budget. It is no doubt a large sum and the financiers of Government should vigorously work out the other sources of taxation, but I repeat it is their duty to see that these two items are not counted upon at all.

In such abnormal times as this it can be pertinently asked whether the Government cannot postpone the expenses contemplated to be incurred on Railways and other items that consume much of the capital expenditure. Here I acknowledge the force of the argument raised by the Honourable Sir Dinshaw Wacha that the Railways are paying concerns and we should not reduce the expenditure here. If we cannot reduce expenditure in that direction, then there are other items. Why not give effect to what the Honourable Sir Dinshaw Wacha has suggested in his speech of saving a crore, and spreading the savings for over a period of 20 years to save this huge deficit? During the war, Railway and other items were curtailed and

in this year of our abnormal deficit we should copy the war-time budget and curtail these items. When the country is enjoying peace I echo the sentiments of many that the Military budget also should be cut short. I do not blame the Commander-in-Chief or the Honourable Sir Malcolm Hailey for having such a huge budget for the military. But if we are to probe into the facts of this matter, we should find that the whole deficit is due to the working of the Esher Committee Report. It is due to that enemy of Reforms. He is not here and I do not know whether I am permitted to say it, but Sir Michael O'Dwyer, who was responsible for drafting out the proposals of the Esher Committee, is responsible for this huge deficit.

Why should all the deficits be covered by fresh taxation? We may vote for a deficit Budget and also cover part of the deficit by the flotation, of a loan. I am sorry that we cannot be a party to this heavy taxation, and we decline to be made a tool for this purpose. It is not only that the country will pounce upon us for co-operating in the dirty task, but it is against our conscience. As it is, we should throw out the Budget and respectfully request our Finance Minister to substantially amend the taxation and save the country from famine and chaos, which would be the inevitable result of the Budget as it has been presented to us.

The HONOURABLE SIR MALCOLM HAILEY: Sir, the preparation of a Budget is at any time no light task. But the preparation and the presentation of a Budget in a year such as we have experienced—a year which has been described as exhibiting the deepest depression in trade for a hundred years—I say the presentation of a Budget in such a year presents a task full of anxiety, full of difficulty, full of heart-searching, for Government. Yet such a task has its alleviations. It has at any rate had such alleviations for me to-day, when I have listened to the remarks and the criticisms of this Council. The Council, as I anticipated, has fully recognised those difficulties; it has not failed to express some measure of sympathy with Government in the very abnormal and unusual circumstances which we have had to face. Not only so, but the Council has realised that it is a problem in which we need the assistance of its co-operation, and its constructive ability. The Honourable Mr. Lalubhai asked whether or not we need its advice. Need I reply to that? We welcome not only its advice, but also its practical suggestions, for many of its Members are men deeply versed not only in current finance, but in the problems which have attended the financial history of this country. I know that many Members have felt it incumbent on themselves to criticise is severely; they have indeed spoken of the Budget in epithets that I have not hitherto seen applied to it elsewhere. It has been called reactionary, retrograde and impossible; it has been said that certain parts of my proposals are an insult to the intelligence of India. One Member, if I have not misunderstood him, even suggested that to vote some of my projects of taxation would be a dirty task. But I am far from resenting such terms, for I know that those epithets are only used in order to add impressiveness to the criticisms which have been made.

I have conceded that this Budget has been treated by the Council to-day in the spirit in which one would wish to see a serious and responsible Assembly treat a problem presenting such overwhelming difficulties. In dealing with the causes which have produced the deficit of the current year and of the three previous years, they have not, as others have done, charged Government with running a rake's progress with unthinking profligacy for a long series of years. They have realised that our deficits in the past have been due largely to abnormal circumstances. They have not forgotten that in the accumulated deficit of 90 crores, which now weighs so heavily on us, are to be found not less than 23 crores due to the Afghan war, and a further very large sum due to frontier expeditions. They have also realised, I am sure, that in that same amount is included large adjustments on account of war expenditure in the last two previous years. They will have realised, I am equally certain, that part of that deficit is due to the effort which India made to assist Great Britain in the great war, owing to the high interest charges involved in financing the free grant of 100 millions which India contributed to Great Britain in her difficulties. If that is one of the causes of our present condition, it is not dishonourable to India. (Hear, hear). It reflects no condemnation on the financial management of this country. Sir Dinshaw Wacha, in analysing the cumulative deficits of the past years said that for many years (over ten years in fact) we had really been working to a net loss, in that we had depended on the profits we were making from our Railways to equalise our expenditure in other directions. As a matter of figures that charge is true; I admit it that we have consistently added the Railway surplus to our general expenditure. I know his feeling on the subject; but I would ask him whether India at large was during those years prepared to accept the proposition that we should not add on to the general revenues the surplus profits from Railways. I think that in spite or the criticisms that have now been levelled at us in regard to that side of our financial policy, yet at the time India at

large was thoroughly convinced that our action in taking the profits of Railways to our general revenues was justified. As for the deficit of the coming year and of the year which is passing away, that I think needs no further detailed explanation or justification at my hands. It is very generally recognised that it is due to causes over which we have no control. It is due to the world depression of trade, to the falling exchange, to the losses we have incurred in working our great commercial departments. I would only ask the Honourable Members here present to realise that great as has been the increase in our expenditure of recent years, great and regrettable as it might have been, yet it is small indeed in comparison with the increase of expenditure of other great countries which have been through the world war. The expenditure of England is now 5 times what it was before the war. The expenditures of France and Italy are from 7 to 9 times what they were before the war. I mention this fact only as showing, if additional proof were necessary, that we ourselves would have found it difficult to escape in the present abnormal conditions of the world, from a calamity which is common to nearly every other country, namely, a great and unavoidable increase in expenditure, together with the falling-off in ordinary revenues.

Well, there the deficit is and the problem which has troubled us and has troubled the Council, is on what principles are we to act in the face of a deficit of this nature? Are we to leave it uncovered? Sir Maneckji Dadabhoy suggested that it was not necessary to cover the deficit to the extent we have suggested. I think, however, that after taking up that attitude, he showed a certain tendency to avoid standing by his conclusions. He asked us why we should attempt to cover our deficit, when England is the only country which has attempted a similar operation? Let me ask him on what analogy then is our finance to be based? Is our finance to be based on the analogy of the bankrupt countries of Central Europe or on the analogy of the country which has always stood highest in the world for its financial conscience and its financial soundness? I knew that the East does not always need to or wish to follow the West; but if it is looking for a preceptor in State finance, I think it can take no better preceptor than England.

But we have been offered an alternative suggestion. It has been put to us that instead of attempting to cover our deficit, we should be content to meet as much of our expenditure as possible from our loan operations. Now, on the 1st March I attempted to explain the great difficulties underlying a policy of that nature, that is to say, that if we are to meet our expenditure purely by extending our floating debt, that is, from accumulating fresh Treasury Bills, we might, even if we should succeed in raising the necessary money (a matter of grave doubt), easily provoke a crisis in the money market. At any particular time there may be a fresh and insistent demand for money, and if we were coming on the market at the same time, we might provoke a very serious state of affairs indeed. It is suggested, however,—I think Sir Edgar Holberton suggested this— certainly the Honourable Lala Ram Saran Das did so—that we should meet our expenditure from loans proper. My Honourable friend, Mr. Cook, has already explained the circumstances under which we have taken a sum of 25 crores as a reasonable limit for our Indian loan for next year. Although we should be glad to get more than that, yet I think it would be exceedingly unwise to rely on budgetting for a much larger loan in India than we have already provided. Honourable Members who have put forward this proposition, have at the same time limited it by certain safeguards. They have said that, given something like stability in the country, given something that would guarantee us against a prospect of serious disorder in India, then we can safely calculate on getting a larger loan. It is that guarantee and that proviso which in my mind constitutes the greatest difficulty. If we could be certain that the paralysing effects of the agitation in this country would pass away, we might well assume that the loan market would be more favourable. But the Council knows, as well as I do, perhaps more intimately than I, what the state of the country is. Can we justly make those assumptions, and can we justly budget on them? If, on the other hand, we are right in taking the more limited view of the possibilities already described by me, then undoubtedly the whole of our loan would be required to meet the standing capital liabilities which I have described in my statement of 1st March. Nothing that is would be left for meeting the ordinary current expenditure of the year.

Then, Sir, if we put on one side that device, what is left? We have been told here that there is one way, and one way only, to meet this emergency that is, a serious reduction in expenditure. Now, just as when the discussion was carried on elsewhere, the attack has centred almost entirely on military expenditure, for the opinion seems to be that our efforts to retrench civil expenditure, (though I again assure the Council that those efforts will be sincere and will be pushed home to the best of our ability) would not make any substantial difference to us. It would in that case be

left to us to attempt to meet our deficit by a serious reduction of military expenditure. Now Mr. Sethna referred to the possibility of our allying ourselves with those vituperative critics who are prone to condemn any attack or any criticism of military expenditure. I need not tell him that I am not likely to join those vituperative critics; I do not sympathise with them; certainly in so far as they are vituperative I dissociate myself from them. The Council knows to what I refer, and will take my meaning. But as regards military expenditure, our justification in reply must be of the shortest. The Council has heard His Excellency the Commander-in-Chief on the subject; and Mr. Sethna referred also to my defence of military expenditure. For myself, however, I have left the explanation of military expenditure to the Army Member of our Government. I need not repeat in detail what he has said; but the point comes simply to this, that the Government, that is the Government as a whole, after the most careful examination of military expenditure came to the conclusion that no further economies of any importance could be effected without a reduction in combatant troops. Certain Members have spoken as though the fixation of the military budget consisted in a series of conversations, possibly amicable and possibly otherwise, between the Commander-in-Chief and the Finance Member. That is very far from the actual procedure adopted. The items of military expenditure are examined, the possibilities of reductions are explored by Government as a whole, and I can only say that Government as a whole has come to the decision that no serious further reduction could be made without reducing the present strength of the troops or seriously modifying the composition of the Army. . . . .

The HONOURABLE SAIYID RAZA ALI: That decision is wrong.

The HONOURABLE SIR MALCOLM HAILEY: Well, Sir, I am merely stating the decision we came to after the greatest deliberation, and if the Honourable Saiyid Raza Ali thinks that we were wrong, I can only bow to his superior judgment, which I am naturally bound to respect; but I am afraid that at present he has not furnished me with sufficient facts in order to allow me to put pressure on Government to alter their decision. His mere statement to that effect is not sufficiently convincing. Since Government has come to that decision, it is not competent for any Member of the Government to put forward his individual views; it is not competent for the Commander-in-Chief to express the view that the sum is entirely insufficient, or for the Finance Member to urge that the sum is entirely excessive. I have stated the full and considered opinion of Government as a whole, and by that decision we must stand. So, if no serious reduction can in effect be made there—and I must take that as an hypothesis for the present,—then we come to the means for meeting the deficit.

Now I think the House generally has agreed—I have heard very little against the proposition that I put forward—that the great commercial Departments must be made to pay for themselves. Members who have spoken have shown a strong dislike to the proposal that we should increase the rates of Postage and Passenger fares, but nobody has denied our main proposition that these Departments must not be run at a loss to the general tax-payer. As to the exact details—well, Sir, the details are always open to discussion and recasting. But I desire to hear what concrete proposals there are for making these Departments pay their way other than those we have put forward.

Then as to the proposed taxation. Our list of proposed taxes was long. That they should commend themselves to the country as a whole was, I know, practically impossible. That they should have been welcomed by the Legislature—that again I know was hopeless. I can only say that we put them forward after the gravest deliberation, and in view of our necessities and nothing else. They have been objected to on two grounds—firstly, that they would add very greatly to the burden on the poor, and secondly, that in certain cases they were inequitable in themselves. Any tax on consumable articles must add to the burden on the cost of living; so much must of course be admitted. What I cannot admit here are the calculations that we have heard as to the extraordinarily exiguous income which now represents in modern circumstances the average income per head throughout India. Sir, if some of the calculations we heard to-day were correct, then I am afraid that a large number of people in India would, during the last 2 or 3 years, have passed entirely out of existence. It is quite clear that the current calculations as to the average income per head must be revised in modern circumstances. Given the general increase in average incomes, I cannot believe that an addition of 3 annas per annum per head on account of salt, however people may dislike it for political reasons, can in itself be regarded as excessive. Nor do I believe that if you take the huge number of people who travel by passenger train every year and divide that over the sum which we propose to get by the increased fares, then the addition would amount to a very heavy individual burden. However, there the fact remains. If you can

give to us a more certain, a more equitable, a more evenly distributed way of producing the money, let us hear it, and we shall be only too glad to consider it; but, in the meanwhile, my proposition remains, that the money is required to cover the deficit and that it would be little short of disastrous to attempt to carry on without it.

Then there are certain items of taxation which have been attacked because they are unreasonable or unjustifiable in themselves. Of course the principal of these is the cotton excise duty. Now, Sir, it cannot be supposed that Government were for one instant blind to the long and contentious history of that tax. It cannot be supposed that Government entered lightly on my proposal which would be likely to alienate the mill-interests of Bombay and Ahmedabad and elsewhere. We know well what our obligations are to them in regard to our previous loans. We know how exceedingly difficult it would have been throughout the War and since the War to finance the country unless we had had their good-will, their confidence and their trust in our financial stability. The reason, and the only reason, why we proposed to make this addition to the cotton excise duty was because we were raising the general import duty on cloth to 15 per cent., and we felt that the extra 4 per cent. which we are proposing to place on cotton excise would not in itself make any addition to price of cloth to the general consumer. I think I am right in saying that the prices of mill cloth are largely, if not entirely, based on those of the imported article. What would be the consequence, therefore, of raising again the tariff duty on the imported article and leaving the cotton excise alone? If I am correct, the consequence would have been simply that amount of extra profit to the millowner. The Honourable Sir Dinshaw Wacha, versed in these old controversies from the past, made a powerful appeal for the absolute abolition of the duty. May I ask him one question? Would the abolition of the cotton excise duty result to-day, or in any early period of time, in a reduction in the price of cloth to the consumer?

The HONOURABLE SIR DINSHAW WACHA: Certainly it would. No prophet is required to tell that.

The HONOURABLE SIR MALCOLM HAILEY: I still pause for a definite answer to that question.

The HONOURABLE SIR DINSHAW WACHA: My argument is that it is inequitable.

The HONOURABLE SIR MALCOLM HAILEY: The millowner naturally bases the price of his production on the competitive rates.

The HONOURABLE SIR MANECKJI DADABHOY: But you control them if they go astray.

The HONOURABLE MR. SETHNA: What about competition between millowners themselves?

The HONOURABLE SIR MALCOLM HAILEY: There is very little competition. They are answerable for only 40 per cent. on the total cloth consumed. As for control, I say Heaven help the man who might come before this Legislature and put forward a law suggesting that the millowners should reduce the price of their product to what we consider to be the proper price! Well, Sir, those are the grounds on which we hope to put that forward. Now, as to the alternatives that were offered to us, I again wish to acknowledge the fact that the Council has put its constructive ability at our disposal, to help us in the sore and difficult task which is before us. Well, Sir, Sir Maneckji Dadabhoy would, instead of raising the cotton export duty and the duty on machinery, on which so powerful an attack has been made from every quarter here to-day—an attack of which we must take account,—instead of doing that, he would raise the flat rate of company super-tax. That is a proposition, Sir, which will have to be seriously considered before the next stage in the annual Finance Bill. Then, again, Mr. Lalubhai Samaldas would reduce our liabilities by transferring to capital the sum which we now set apart from revenue for payment of railway annuities. He would also take the step which has been advocated in the press and elsewhere of ceasing to earmark to the paper currency reserve the interest on our paper currency securities. Those are two difficult propositions, the latter at all events of very wide import since it is one with which our credit with the rest of the world is somewhat wrapt up; and the House will not perhaps expect me to give a definite answer here this evening. Mr. Maricair would put an end to all our difficulties by removing the embargo on the export of rice. I do not propose to deal at length with his suggestion, because he was, I think, under some misapprehension as regards the figures. If I am correct, he has mistaken millions for thousands. In any case I would point out that there is no restriction at present on the export of rice from Burma, and that sole remaining restriction is in

regard to export from India; the net amount of export from India is comparatively small. Sir Maneckjee Dadabhoy and Lala Ram Saran Das would both assist the position by export duties. Sir Maneckjee would put them on coal, on bones, on manures and even on wheat. Lala Ram Saran Das would add to this taxes on minerals, also on jute, forgetting, I think, that we have an export tax on jute already. Now, Sir, it was perhaps not very imaginative of us that we decided not to introduce any tax of an entirely new description. Export duties do not of course in themselves constitute a novelty. We have tea, we have jute, we have hides. But we did not wish to add to the list for we did not wish in any way to prejudice the decision on the issues which lie before the Fiscal Commission. We kept, therefore, to what some of my friends on doubt may consider the purely hackneyed lines; we took existing taxes and we proposed additions to them believing that before we enter into any large policy of raising funds by heavily taxing our exports, we ought to wait the report of the Fiscal Commission.

Sir, I must conclude what I have to say regarding our budget and regarding the criticisms on it. But one point of substance remains. Lala Sukhbir Sinha put it to me that the most undesirable consequences will follow if I 'refused to budge.' Of course, it is not for me to refuse to budge. It is for Government to consider and reconsider, if necessary, the criticisms evoked by proposals which have been placed before the country. But leave that alone. What is to happen if Government refuses to alter its position? I am glad of an opportunity of referring to what Mr. Lalubhai Samaldas said in regard to an impression which had conveyed itself to him that we had yesterday adopted an uncompromising attitude—an attitude which implied that we would carry this budget through under our statutory powers at any cost; finally, that we had even gone so far as to say to the country—'If you do not pass this budget and every item of it, then, beware, for you won't get *Swaraj*.' Now it would be imposible for us to hold out any such threat. It would be impossible for us even to entertain language which might convey the impression of any such threat. I would remind my Honourable friend that the exact position which I had to meet yesterday was simply this—that not one, not two, but many of my critics had said to me—'Unless you reduce some substantial sum, such as 20 crores of rupees, from the military budget, we will wash our hands of the whole affair. We will throw on the Government the entire responsibility of every item of this iniquitous taxation. We will dissociate ourselves entirely from the whole proceedings.' Now, that was a definite statement made to us. The statement made to us was not that if we persisted in pressing our attempt to carry through any particular item of our taxation, the speakers would take the action I have described. The statement made to us referred particularly to a lump deduction of a heavy nature from the military budget. In discharge of my duty as a Member of Government, I had to say that Government had decided that it was impossible in the present situation to make any reduction of combatant troops, and therefore that I could hold out no hope of any such lump deduction from the military budget as has been asked for. I had to ask in consequence what would be the attitude in view of my answer. I felt it incumbent on me to add this warning. 'If you persist in it, if you persist in a policy of entire dissociation, if you say that the whole responsibility must rest with the Government, that they must carry through the rest of the measure themselves by exercise of their statutory powers, then I have to ask you what will be the effect of that action in regard to your aspirations for a speedy advance on the path of constitutional reform.' I held out no threat, Sir. If there was a threat, it was made to us. If there was a challenge, it was made to us. And, so far as concerns any answer given by me it was not a threat and it was not a challenge; it was simply—and I say this with emphasis—the advice of a friend, who has always attempted to promote India's advance on the path of constitutional reform; it was the advice of such a friend to those whom that advance is designed to profit; it was given in that spirit, and in that spirit only. (Hear, hear).

# Schedule of demands for grants for expenditure of the Central Government for the year 1922-23 submitted for the vote of the Legislative Assembly.

| Number of demand. | Service, Administration or Area to which demand relates. | Head of Account. | Amount. |
|---|---|---|---|
| | | | R |
| | **A.—Expenditure from Revenue.** | | |
| 1 | Customs | Customs | 64,02,000 |
| 2 | Taxes on Income | Taxes on Income | 44,80,000 |
| 3 | Salt | Salt | 1,34,61,000 |
| 4 | Opium | Opium | 1,86,32,000 |
| 5 | Land Revenue | Land Revenue | 1,56,000 |
| 6 | Stamps | Stamps | 12,45,000 |
| 7 | Forests | Forests | 7,41,000 |
| 8 | Railways (inclusive of Working Expenses and payment of Surplus Profits to Railway Companies). | State Railways, Subsidised Companies, Miscellaneous Railway Expenditure | 73,92,79,000 |
| 9 | Irrigation (including Working Expenses), Navigation, Embankment and Drainage Works. | Works for which capital accounts are kept, Miscellaneous Irrigation Expenditure, Construction of Irrigation, etc., Works. | 14,32,000 |
| 10 | Indian Postal and Telegraph Department (including Working Expenses). | Posts and Telegraphs | 9,46,63,000 |
| 11 | Indo-European Telegraph Department (including Working Expenses). | | 16,40,000 |
| 12 | Interest on Miscellaneous Obligations | Interest on other Obligations | 3,23,63 000 |
| 13 | General Administration | General Administration | 76,77,000 |
| 14 | Audit | Audit | 72,19,000 |
| 15 | Police | Police | 8,000 |
| 16 | Ports and Pilotage | Ports and Pilotage | 12,47,000 |
| 17 | Survey of India | Scientific Departments | 27,09,000 |
| 18 | Meteorology | „ „ | 5,83,000 |
| 19 | Geological Survey | „ „ | 2,20,000 |
| 20 | Botanical Survey | „ „ | 26,86,000 |
| 21 | Zoological Survey | „ „ | 1,41,000 |
| 22 | Archæology | „ „ | 14,72,000 |
| 23 | Mines | „ „ | 98,000 |
| 24 | Other Scientific Departments | „ „ | 3,57,000 |
| 25 | Education | Education | 3,01,300 |
| 26 | Medical Services | Medical | 7,79,000 |
| 27 | Public Health | Public Health | 9,59,000 |
| 28 | Agriculture | Agriculture | 7,73,000 |
| 29 | Civil Veterinary Services | „ | 6,38,000 |
| 30 | Industries | Industries | 1,40,000 |
| 31 | Aviation | Aviation | 37,000 |
| 32 | Commercial Intelligence | Miscellaneous Departments | 3,34,000 |
| 33 | Census | „ „ | 3,47,000 |
| 34A. | Emigration—Internal | „ „ | 1,12,000 |
| 34B. | „ External | „ „ | 22,000 |
| 35 | Joint-Stock Companies | „ „ | 1,11,000 |
| 36 | Miscellaneous Departments | „ „ | 12,59,000 |
| 37 | Currency | Currency | 30,36,000 |
| 38 | Mint | Mint | 19,6-,000 |
| 39 | Exchange | Exchange | 9,95,50,000 |
| 40 | Civil Works (under the control of the Public Works Department). | Civil Works | 1,60,10,000 |
| 41 | Civil Works—Civil | | 41,000 |
| 42 | Superannuation Allowances and Pensions | Superannuation Allowances and Pensions | 20,73,000 |
| 43 | Stationery and Printing | Stationery and Printing | 67,34,000 |
| 44 | Miscellaneous | Miscellaneous | 12,96,000 |
| 45 | Adjustments with Provincial Governments | Miscellaneous Adjustments between Central and Provincial Governments. | 63,29,000 |
| 46 | North-West Frontier | Distributed over respective heads of account | 1,16,40,000 |
| 47 | Baluchistan | | 26,81,000 |
| 48 | Delhi | | 30,41,000 |
| 49 | Coorg | | 12,62,000 |
| 50 | Ajmer and Merwara | | 15,11,000 |
| 51 | Andamans and Nicobar Islands | | 52,39,000 |
| 52 | Rajputana | | 5,03,000 |
| 53 | Central India | | 5,73,000 |
| 54 | Hyderabad | | 1,97,000 |
| 55 | Bangalore | | 13,79,000 |
| 56 | Expenditure in England—Secretary of State for India. | | 33,26,000 |
| 57 | Expenditure in England—High Commissioner for India. | | 64,06,000 |
| Non-Voted | Interest on Debt and Sinking Funds | Interest on Debt and Sinking Funds | |
| Non-Voted | Ecclesiastical | Ecclesiastical | |
| Non-Voted | Political | Political | |
| Non-Voted | Territorial and Political Pensions | Territorial and Political Pensions | |
| | TOTAL | | 1,11,95,17,000 |
| | **B.—Expenditure charged to Capital.** | | |
| 58 | Railways | Construction of State Railways | 29,97,53,000 |
| 59 | Irrigation | Construction of Irrigation Works | 2,69,000 |
| 60 | Telegraphs | Capital outlay on Telegraphs | 1,45,00,000 |
| 61 | New Capital at Delhi | Initial Expenditure on New Capital at Delhi | 1,96,65,000 |
| | TOTAL | | 33,41,87,000 |
| | **C.—Disbursements of Loans and Advances.** | | |
| 62 | Interest free advances | | 12,06,37,000 |
| 63 | Loans and advances bearing interest | | 6,73,59,000 |
| | TOTAL | | 18,79,96,000 |
| | GRAND TOTAL | | 1,64,17,00,000 |

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Tuesday, 14th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE BUDGET—LIST OF DEMANDS.

SECOND STAGE.

*Expenditure from Revenue.*

CUSTOMS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 64,02,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Customs.'

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars: Landholders): Sir, Rao Bahadur Rangachariar is unavoidably absent, and, as this is a Party motion, I beg leave to move his amendment. My own amendment is that from this Demand No. 1, Rs. 10,00,000 be taken away. My reason for the amendment I propose is that the expenditure over this Department has gone on increasing. I find that from the year 1911 to 1919 the cost of collection has amounted to 24 per cent., whereas from 1919 to 1922 . . . .

**Mr. President:** Is the Honourable Member moving his own motion for reduction?

**Mr. S. C. Shahani:** I beg to move Rao Bahadur Rangachariar's amendment:

'That the Demand under the head 'Customs' be reduced by Rs. 3,52,900.'

**Mr. President:** I called upon the Honourable Member from Madras to move the first of the motions for reduction standing in his name. The reduction which the Honourable Member refers to stands No. 11 on the list and not No. 1.

**Mr. S. C. Shahani:** I move:

| | | |
|---|---|---|
| Assistant Collector, Madras. | | 'That the provision of Rs. 12,000 for 1 Assistant Collector, Madras, be reduced by Rs. 3,600 to provide for the pay being fixed at Rs. 350 to 1,000.' |

In support of this amendment I beg to urge that the scale of salaries that has been sanctioned for this Department is very high. In the Budget presented last year, I find that the maximum for the pay of the Senior Assistant Collector was shown as Rs. 1,200, whereas in this Budget it has been raised to Rs. 1,750. There has been a corresponding increase in the salaries of other officials too. I, therefore, beg to point out that this indiscriminate manner of increasing salaries should be put an end to. I find that the persons who are appointed to do duty in this Department are not specially qualified. They do not go in for any technical training and there is absolutely no reason why their pay should not be in line with, for instance, the pay of the Executive Engineers in the Public Works Department, or the pay of the Superintendents of Police. I propose, therefore, that the Assistant Engineer's pay, namely, Rs. 775, should be deemed an adequate salary for Assistant Collectors. High salaries do not occur merely in Madras, but are repeated in every other part of India. On these grounds, I beg to move the amendment that has been proposed by Rao Bahadur Rangachariar.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member): Sir, I am afraid, on behalf of Government, I must ask the House not to accept an amendment of this kind. Let me first explain our arrangements for the recruiting of non-civilian Assistant Collectors of Customs and also remove certain misstatements which were made, no doubt unwittingly, by my friend, Mr. Shahani. We have in the Customs Department 21 non-civilian Assistant Collectors and, under the rules which are now in force, these Assistant

Collectors are recruited alternately from Home and by open competitive examination in India, held in conjunction with the examination for the Indian Finance Department. Mr Shahani has said that the scale of these Assistant Collectors is unduly high and that it has been unduly increased in recent years. That statement is not correct. The scale of these Assistant Collectors was fixed in 1911 at Rs. 300 rising by increments of 50 to Rs. 1,450. The maximum was Rs. 1,450 before the last revision. In the last revision, we altered the scale only very slightly. We raised it to 350 rising by 50 to 1,500 and we attached to the officers recruited from Europe an overseas allowance varying from 150 to 250 a month. But we found that we had done absolutely nothing or practically nothing for Assistant Collectors, Indian and Anglo-Indian, recruited in this country. As a special case, therefore, we gave these Assistant Collectors the same overseas allowances as have been given to men recruited in Europe, but that applies only to men who were in service when the new scale was introduced. Future Assistant Collectors will be on this scale of 350 rising to Rs. 1,500. Now, Mr. Shahani does not propose that this scale should be reduced or altered for future entrants. He makes a definite proposition to the House that the pay of men already in service may be cut down. I ask the House if that is a reasonable proposition. We have recruited these men, the more recent of them, by open competitive examination. We stated the terms which we were prepared to offer and these men went in for that examination on that understanding. Take the case of the latest recruit. He was a gentleman who was employed in one of the Departments of the Government of India. He gave up that appointment and went in for the open competitive examination and he gained the vacancy. Is it fair, is it right that we should now, by a stroke of the axe, reduce the pay which that man was promised when he entered the service ? I am quite sure that the House will realise that it is not a practical proposition for it to reduce the pay or the prospects of men already in the service. Whether the pay of officers in India should be on a lower scale is a different question. It is an important question, but it is a question which cannot be discussed to-day, for it will have no effect upon the present Budget. I put it to the House that it is not right that this House should cut down the pay or the prospects of men already in the service. Any revision or changes that may be made in this respect must be made with reference to future entrants, and it is, therefore, not a matter which will affect the Budget. It is a matter obviously which must be considered not in relation to one or two appointments in the Customs Department but to all Indian Services. That is to say, it is a question which should be referred to a Retrenchment Committee. I hope, Sir, that the House will not accept the Resolution which may do irremediable harm, which will cause Assistant Collectors and officers not only in the Customs Department but in other Departments also to believe that they cannot trust this Legislative Assembly, this Indian Legislature, not to embark on a policy which would amount to a definite breach of faith.

**The Honourable Sir Malcolm Hailey** (Finance Member) : If I may, I will add one point to what my Honourable friend, Mr. Innes, has said. Mr. Shahani, in introducing either the Resolution which he intended to introduce or the motion which he did not intend to introduce, stated that the cost of collection had amounted to 24 per cent. Now, if that were true, the House would indeed have reason to complain. I can imagine the feelings of a business man on being told that the cost of collecting our customs amounted to 24 per cent. of the revenue. It amounts actually to 1·97, which is a very different figure indeed.

**Dr. H. S. Gour** (Nagpur Division : Non-Muhammadan) : Is it not 2·16 ? It has gone up since 1919. See the statistics.

**The Honourable Sir Malcolm Hailey :** I have given it on the Budget figure for next year, but, even if it were 2·16, there is some slight difference between that and 2½ per cent. I would further add that the increased expenditure, only 2¾ lakhs occurs in the salaries of officers and the remainder of the increase, 19½ lakhs, is purely in the pay of the subordinate establishment.

**Mr. President :** The question is :

'That the provision of Rs. 12,000 for 1 Assistant Collector, Madras, be reduced by Rs. 3,600 to provide for the pay being fixed at Rs. 350 to 1,000.'

**Mr. S. C. Shahani :** I beg to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. B. S. Kamat** (Bombay Central Division : Non-Muhammadan Rural) : Sir, I move :

Customs Recreation Club.

'That the provision for contribution towards the maintenance of the Customs Recreation Club under sub-head 'Sind Division' be omitted.'

This amendment is more or less an old friend of this Assembly. It is proposed that a contribution of Rs. 2,520 be made this year also to the Customs Recreation Club, Sind. Members will recollect that this time last year the same item was discussed by this Assembly and an explanation was given by the Honourable Mr. Innes purporting to say that he would look into this question. On a division this contribution of Rs. 2,400 was negatived last year by this House and yet we find this year.

**The Honourable Mr. C. A. Innes:** May I rise on a point of explanation, Sir? This is a different item and refers to Karachi. The other one was Bombay.

**Mr. B. S. Kamat:** That makes little difference. The principle is the same. Sind forms part of the Bombay Presidency and the principle is just the same. I object to the principle. I think the system of making contributions to social or recreation clubs is not a very healthy one. Last year the Honourable Mr. Innes told us that the practice was to levy a small fee, called the Sunday fee, from certain ships in some ports of India, and out of the collections from these fees it was the practice to make contributions to different clubs and also to certain other kinds of welfare work amongst the Customs Officers. At that time the Honourable Mr. Innes promised to look into this file and to see that the distribution of this fund was regularised and was made uniform so far as such clubs in different provinces were concerned. I want to elicit from him what are the total collections from this fund called the Sunday fees fund and out of the total collection I want to know what are the disbursements and whether Government have in their hands any surplus or any extra revenue from the Sunday fees fund.

I am sure the Secretary of State's orders are that Government should not make any profit out of such fees. I have no doubt that the Department over which the Honourable Mr. Innes presides must be distributing this fund equitably, but still I am not satisfied whether there are established similar recreation clubs for Customs Officers in all the ports of India. I am not also sure whether this fund is not utilised for other purposes than recreation clubs. Last year, for instance, the Honourable Mr. Innes told us that in Calcutta there was no recreation club whatsoever, but a part of this fund was utilized for assisting officers of the Customs Department in their sickness. That is to say, it was a nursing fund or something like a 'sickness fund.' Now, I do not see why there should be different ways of utilisation of this fund, and I think the Honourable Mr. Innes owes an explanation to this House regarding the distribution of this fund. Indeed, I rather feel that after the rejection of this particular item in one form at any rate last year at the hands of this Assembly, a similar item should not have been inserted in this year's Budget at all. It strikes me that this attempt to introduce this item is like a man who, although he is turned out at the door, tries to enter the house through the window and I therefore have no doubt that this item ought to be entirely rejected. I move that this item be omitted.

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): Sir, coming as I do from Karachi, I should like to say a few words with regard to this club which stands on a separate footing altogether from any club of the kind in other parts of the country like Bombay, Calcutta or elsewhere. The Customs Officers of the Preventive Department at Karachi have to reside at a place called Keamari, the port or harbour of Karachi, far away from all kinds of society, about 6 to 8 miles away from the city; therefore, they are practically ostracised from all company or society; and it is absolutely necessary for them to have a club of this kind for their recreation in their hours of leisure. A club has been started there, and I have seen it myself personally. It would be absolutely impossible for the employees of the Customs Department at Keamari to support this club out of their own funds, and it is on that ground, I understand, that Government has been contributing this small sum for the upkeep of this club. If this sum is withdrawn, Sir, I am perfectly certain that this club will have to be stopped, resulting in considerable disadvantage to the service. The little amenity of life the employees have at present will be taken away. I therefore strongly recommend that this sum be retained.

**The Honourable Mr. C. A. Innes:** Sir, it is a fact that this question of a contribution to the Customs Recreation Club at Bombay was under discussion at the last Budget and I told the House that I was examining the whole question of the utilisation of these Sunday fees, and I am very sorry that I have not been able to complete that examination up-to-date. I find from a file here that I wrote a note on the subject, when I was Secretary in the Commerce Department in July last. When I went into the question of these Sunday fees I at once found myself up against the whole question of overtime

fees, the system under which overtime fees are given in the different ports, and I found that the practice varied in the matter of Sunday fees and overtime from port to port. Consequently I wrote round to all Collectors of Customs and asked for full information as to the overtime fees collected and paid in the different ports and as to the manner in which the Sunday fees were allocated, my idea being that we should make an effort to systematise this matter from port to port. My idea was that, when I had got the whole matter cleared up, I should place it before the Standing Finance Committee. I have just obtained the file, and I find that a note was put up on the 14th February, but I have not yet been able to take it up. But I do admit that there is great discrepancy of practice from port to port in regard to the allocation of these Sunday fees. The principle has been laid down by the Secretary of State that the Government should not make a profit out of these Sunday fees. Well, I found that in at least one port the fees were credited to general revenues in spite of that pronouncement of the Secretary of State. In other ports we make small contributions to Customs Clubs—one in Rangoon, one in Karachi. It does not appear in the Budget, but a contribution is also made to a Recreation Club in Rangoon. In other ports, in Calcutta for instance, by an order passed as far back as 1904, 40 per cent. of these fees go to the men, though in no other port do Sunday fees go to the men. The rest of the fees are distributed amongst charities. Well, that is the position, Sir. There is great discrepancy of practice. I have got the whole matter worked out here, and, if the House will hold its hand for the present I will undertake to place it all before the Standing Finance Committee at their next meeting. I think, that will be a better way of dealing with the question.

As regards the actual contribution to this Club at Karachi, I may explain that that contribution was sanctioned before the debate of last year, but it was not shown in the Budget; I do not know why. The main reason why the House were not willing to sanction this contribution to the Bombay Recreation Club was that the Bombay Recreation Club did not admit Indian members. I was unable to give an assurance to the House on that point, I am sorry to say out of my own ignorance, as, though the preventive service in Bombay had not then many Indians, it had some; in Karachi the case is entirely different. There is no discrimination of any kind. The contribution is very small. As I have stated, we are not supposed to make any profit out of these Sunday fees; and I think the House will agree with me that Government, being probably the largest employer of labour in India, ought to set an example in trying to do a little social welfare work. This contribution, as I say, is a very small one, and it is for a club which admits all members of the preventive staff in Karachi, whether Indian or European. I suggest that the House might leave this small item alone on the understanding, as I have said, that the whole of this question of overtime fees and Sunday fees will be put up to the Standing Finance Committee at its next meeting in April or May.

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-Official): Sir, I object on principle to the giving of public money to a private club. There is no objection, if the Honourable Industries Member so thinks, to withholding or giving up the whole of these Sunday collections, but to say that you would collect the money, credit it to the Government exchequer and subsequently disburse it to a private club seems to me to be altogether opposed to principle. Sir, Government lays itself open to this reproach, if some club asks for a similar contribution and they refuse it, that they have given it to one particular club composed of a particular class of individuals, and have refused it to others which admit other individuals. It is not a sound policy to give money, public money, to a club run by private individuals. If their pay is not sufficient to enable them to maintain a club, give them more pay, but do not disburse public money in this way.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Since the question of principle has been raised, it is worth while considering whether there is not another principle underlying the situation than that which has been referred to. It is not merely because Government is the largest employer of labour that these social amenities ought to be encouraged. In the interests of efficient work, for which we hear constant pleas, it is of the greatest importance that this aspect of the question should receive the attention of those who want to get the best out of the men they employ, and want to ensure their continued efficiency. Even in private offices and firms one tries to encourage the social activities of their employees from all points of view and that is right.

I intervene in this debate, not because I am prepared to support indiscriminate waste of public money, particularly in these times of stress when every

pice that can possibly be saved should be saved I intervene because I am afraid that, if in exercise of rights that certainly do vest in the Assembly we seek to interfere in regard to things like this, the whole organisation is apt to suffer. Moreover, valuable time will be slipping by and we shall have no time to discuss more important items.

I remember an instance which makes me think of what I venture to call the other side of the question. Many years ago, when it was my privilege to go up to Simla for the first time in connection with Education, I found that great disorganisation existed in the social life of assistants—the lower assistants at any rate—in the public offices. The then Education Member and the Secretary, who is still with us and the Law Member were good enough to take up a suggestion from me and supported the making of a small grant for starting a social club in Simla, which found a counterpart in Delhi also. I have every reason to believe that since then our young men, who did not always know how to employ their time out of office hours probably and how to use the long summer evenings in Simla much appreciated and fully availed themselves of the movement. Some form of healthy and intellectual recreation has been possible and they have derived the greatest possible good out of these clubs at Simla and Delhi; and so have the Public Services proportionately. Only a small contribution was made by way of encouraging their activities and by way of showing that the Government was interested in their social life as well. I do not say that Rs. 2,000 or Rs. 200 is the proper amount to grant in a case like this, or that grants should be made in all cases; but I do say, if people or Government desire to get continued good work from those in their employ they should not be compelled to toil on amidst uncongenial and unhealthy surroundings from lack of initial organisation. This I say from a consideration of the good of the public service and of the health of the employees. Small contributions like this in suitable cases ought not to be objected to. It ought to be left to the discretion of the heads of the departments which clubs to support and to what extent. I quite appreciate the difficulties which have been suggested by Mr. Seshagiri Ayyar, that if one club receives a contribution and another does not, a serious difficulty may arise. But I have not the slightest doubt that, if a proper case is made out, Government would be willing to make a small contribution where it ought to be made. If my experience of the Simla and Delhi clubs, to which I have referred, is borne out in other similar ventures, I think that these small contributions are entirely justified.

**The Honourable Sir Malcolm Hailey:** Sir, as a general question of principle has been raised by Mr. Seshagiri Ayyar, I venture to intervene. It may very readily be supposed that a question of this type is one which closely concerns the Finance Department; because if we, as representing the financial conscience of the Government of India in these matters, were to allow indiscriminate grants to clubs, as he suggested might perhaps be done, then I should feel that it would be a very grave charge against us. But I have, while this matter was under discussion, been attempting to recollect cases in which we have permitted charges of this nature. I may remind the House that, under the Audit Resolution dating from the time of Lord Morley, all expenditure technically of an unusual nature had to come first to the Government of India and had further to be put before the Secretary of State. Now, this was emphatically a type of unusual expenditure of public monies which would have to be put before the Government of India and the Secretary of State, and no expenditure of this kind could, therefore, have been incurred without attracting our special note. I remember one case in which a grant was made to a Police Club, I think for the benefit of subordinate police officers; the object was to provide them with a tennis court. I remember also the case to which Sir Deva Prasad Sarvadhikary has just referred. We made grants here and at Simla mainly with the same object, namely, to provide recreation for clerks in our establishment. With those exceptions and the expenditure on the Customs Subordinate Clubs, I can at present remember no other case in which a grant has been made; and I think that Mr. Seshagiri Ayyar may rest assured that we should scrutinize demands of this nature with the utmost strictness. The grants, if given, would be confined entirely to recreation clubs for clerks and other subordinate establishments. Under no circumstance—perhaps I need hardly say that—but under no circumstances should we give a grant to what he describes as private clubs. Further, when demands of this kind have been made upon us, we have made it an invariable rule that the club should be open to all employees and not confined to any particular community. I think that with that assurance the House might perhaps accept the present proposal conditionally on the re-examination to which Mr. Innes is to subject it.

**Mr. T. V. Seshagiri Ayyar:** Would this be withdrawn now and submitted to the Standing Finance Committee? And will it be gone into during the Simla Session if necessary?

**The Honourable Sir Malcolm Hailey:** I understand that the whole question will be submitted to the Standing Finance Committee.

**Rao Bahadur C. S. Subrahmanayam** (Madras ceded districts and Chittoor: Non-Muhammadan Rural): Sir, on this question two standpoints have been placed before the House. There is first the question of principle; then the question, I might say, from the patriarchal point of view. Both are interesting and both deserve considerable support from this House. But the answer which the Honourable Mr. Innes gave, I think, ought to have cut short further discussion, because he told us that this matter will be examined by the Standing Finance Committee and all the details will be put before them. I think that with that assurance this motion might be dropped.

**Mr. N. M. Joshi** (Nominated: Labour Interests): Sir, I do not know why year after year some Members consider a small item like this a fit object for attack; perhaps because other amounts which Government spends on similar objects are not so apparent. But if they scrutinise closely the expenditure of the Railways, the Government Railways, they will find that large amounts are set aside on account of Institutes. I have seen buildings put up for this purpose by Government Railways, which are of course Government property. I think, therefore, that this is not the only item of expenditure incurred by Government for the social amelioration of its employees. Large amounts are spent on buildings for Institutes alone.

As regards the principle, I think it is the duty of Government to supply social amenities for their employees, as they would naturally like to recommend other employers to do the same.

**Dr. Nand Lal** (West Punjab: Non-Muhammadan): Sir, to my mind a sufficient explanation was given by the Honourable Mr. Innes, and I thought there was not much justification for me to take up the time of this House. But Mr. Joshi has put forward a general recommendation which compels me to give him a proper response. Mr. Joshi should remember that no Department of the Government is allowed to gamble with the public money. If any Department of the Government (*Mr. Joshi*: 'I agree with you'), in order to recreate themselves, wish to establish any club, they should make individual and personal contribution to it and the Government should be careful that the public money should not be spent on an institution like this. On principle, as the Honourable Mr. Seshagiri Ayyar has put forward, it is not equitable and fair, *viz.*, that one Department of the Government may be supplied with this kind of recreating clubs, whereas the others may not. With these few remarks, I am in favour of this reduction and I submit that this reduction may be accepted by this House.

**Mr. J. P. Cotelingam** (Nominated Indian Christian): Sir, I move that the question be now put.

**Mr. President:** The question is:

'That the provision for contribution towards the maintenance of the Customs Recreation Club under sub-head 'Sind Division' be omitted.'

The motions was negatived.

**Mr. B. S. Kamat:** Sir, the next amendment standing in my name is a cognate one, namely:

'That the provision for Overtime and Holiday Allowances wherever they occur under the head 'Customs' be omitted.'

Overtime and Holiday Allowances.

Members will notice that under the head 'Customs' there is a provision of something like 8 lakhs of rupees for Overtime and Holiday Allowances for Customs offices. The object of my bringing this matter to the notice of the House is also to raise the principle of Sunday Allowances. I am aware that, owing to the exigencies of service, certain officers in the Customs Department have to keep watch over ships entering the harbour, even on Sundays and other holidays, but, Sir, I do think that the system of having 'Sunday Allowances' is after all a very objectionable system; if possible, Government ought to devise another system to keep watch over the ships on Sundays or other holidays. As in the case of the previous amendment, as I have pointed out, this amount is defrayed out of the Sunday Fees Fund. If my information is correct—I am not quite sure whether I am right—we ought to know

what the total collections are and whether Government pays Sunday Allowances to officers from their ordinary funds or from the fees. In any case, I am sure a man who works on holidays or Sundays is not likely to work efficiently on other days of the week, and, therefore, to expect a man to work on Sundays, or to compel him to work on Sundays, or even to tempt him to work on Sundays by the offer of these allowances, is not a very good principle in administration. I believe Government ought to introduce some other system, either of shift or any other system they can devise, and stop this system of giving Sunday Allowances to officers in one particular Department, *viz.*, the Customs Department. After all, there are various other Departments (Hear, hear) which have got to work on Sundays; for example, the Telegraph Department, and yet we do not pay any such Sunday Allowances for other Departments, and I do not see why a particular Department, *viz.*, the Customs, should adopt the practice of giving Sunday Allowances. I, therefore, move my amendment.

**Mr. N. M. Joshi:** Sir, with your permission, I would like to move my next motion as an amendment to this motion, because this motion is for omitting the whole sum spent by Government on Overtime and Holiday Allowances and my motion is that it should be reduced by Rs. 4 lakhs. Am I in order, Sir? (Mr. President nodded assent.) Sir, my Honourable friend, Mr. Kamat, has moved his motion to raise the question of the principle. He is a well known politician, while I am not. (Laughter.) I do not propose to raise the question of the principle only. Perhaps he is not anxious that the whole amount should be omitted. But I am very anxious that these Rs. 4 lakhs should be omitted, and, therefore, I wish that the House should note that I am not merely raising the question of principle by my amendment. I want that the whole amount of Rs. 4 lakhs should be cut down, and for this reason. Sir, Government is spending in this Department on Overtime and Holiday Allowances Rs. 8 lakhs. The total salaries of the officers to whom this Overtime and Holiday Allowance is given is about Rs. 38 lakhs. The Overtime Allowance, therefore, is between 20 and 25 per cent. of the salaries of the officers. It means that every one of these officers works for 2 hours every day, after the total daily hours of work are over or after their office work is over, or that all of them work on all Sundays as overtime. I think, Sir, this looks quite absurd in my opinion. There cannot be so much overtime work in any Department. Therefore, the House should very carefully go into the explanation which the Government Member may give on this point. I can understand the necessity for a small percentage of the salaries to be spent on overtime. But the cases for overtime must be rare. If they occur so regularly that an amount equal to 25 per cent. of the regular salaries is secured by the members of the staff as overtime allowance, then it is for Government to devise a system of shifts and do away with the overtime. There is great danger in allowing the staff to get overtime regularly. If that system is allowed, you will naturally find the members of the staff taking rest during the office hours and making out a case for overtime work after the office hours. I, therefore, feel that this reduction which I propose, *viz.*, half the amount which Government spends at present, is a very reasonable one and it will be very useful in making the staff of the Customs Department very efficient. Sir, I hope that the House will adopt my motion and I assure them that I have not proposed this motion to raise the principle, but I want this reduction to be made.

**Mr. President:** I will put the Honourable Member's reduction separately afterwards.

**Mr. R. A. Spence** (Bombay: European): Sir, I am not speaking on a point of principle. I want to speak in defence of those who trade in the ports. If this Overtime and Holiday Allowance is not allowed, our trade is going to suffer very badly indeed. Ordinarily, according to the ordinary working time, the Customs office in Bombay starts at 11 O'Clock. If you want people to do your work in regard to clearing goods from ships in the early mornings, you have got to get the Customs Officials to come down. Government make you pay for that. Is it not right and reasonable that that payment should go to the Customs officials? We want this Overtime. We cannot get the trade done if we do not have people working in the mornings and also, at certain times, working late at night. I, therefore, ask, on behalf of the trade of this country, that this motion for reduction should be thrown out.

**The Honourable Mr. C. A. Innes:** Sir, Mr. Spence has anticipated one of the points I was going to make, though he has not got his facts quite correct. The first point I wish to make is that the overtime fees shown in

the Budget do not all go to the men. We have just been discussing the question of Sunday fees, and the Sunday fees, as I explained, except in Calcutta where a portion goes to the men, are voted to various charities.

The points raised by Mr. Kamat and Mr. Joshi deal entirely with overtime fees. The hours for working, for free working, in the Customs House are from sunrise to sunset; but that naturally is not enough for the trade. When a ship comes to Bombay or Calcutta, it does not wish merely to work in the day. Demurrage on a ship is very heavy, and that ship likes to work the whole 24 hours, night and day. Thus we have the first class of overtime fees, night fees for night work; then there are fees for work on close holidays other than Sundays.

With reference to our Preventive Officers, the rules are that their hours of work are a maximum of nine hours a day or 54 hours a week. If they do more than nine hours a day, subject to 54 hours work maximum, they are entitled to overtime. The overtime is paid by Government only in one case, that is to say, when a man does actual overtime, that is, more than 9 hours work between sunrise and sunset; that is a very small portion of these fees, and the cost to Government of these overtime fees is practically nil. For all other classes of overtime, that is to say, work at night, work on holidays, we collect the fees from the ship, that is the shipowners and merchants, and we distribute those fees to the men at specified rates. We probably make a little out of it, but not very much. At any rate, these fees are paid entirely by the shipowners, and they cost Government nothing at all.

Now, Mr. Joshi has raised the point that it is not in the interests of the men themselves that they should be allowed to do this overtime. There is certainly something in that point; but the men themselves like it, and it suits us, for the work in ports comes in rushes. When the rush comes, we simply put our men on overtime; they draw the fees. If we try to meet these rush periods by a system of shifts, it would mean that we should have to maintain a permanent staff in excess of ordinary requirements, that is to say, we should lose money over it. The advantage of the present system is that it is elastic; it adapts itself to the conditions of the shipping trade in that, when a rush comes, the men do the overtime work and are paid for it.

I hope that the House will be satisfied with this explanation. These fees, I repeat, cost Government nothing. They are collected from the shipowners and the merchants. The men like the system; it enables them to live; it adds to their comforts. They all live in extremely expensive ports like Calcutta, Bombay, Karachi and the like, and, that being so, I hope that the House will not accept these amendments.

**Mr. President:** The question is:

'That the provision for Overtime and Holiday Allowances wherever they occur under the head 'Customs' be omitted.'

The motion was negatived.

**Mr. N. M. Joshi:** Sir, I beg to move:

'That the provision for Overtime and Holiday Allowances (wherever it occurs) under head 'Customs' be reduced by Rs. 4,00,000.'

I have already explained the reasons for moving this amendment. The explanation given by the Honourable Member in charge of the Department is thoroughly unsatisfactory in my opinion. He has not made out a case why the rush period should come so many times in the year. I can understand a small overtime allowance, but I cannot understand why an amount equal to 25 per cent. of the salaries of the men should be spent in overtime. If this is the case, the whole system requires very thorough examination, and, therefore, the House, by adopting my motion, will give facilities for a thorough examination of this subject.

**The Honourable Mr. C. A. Innes:** I don't think I have anything further to say on this point than what I have already said. I have explained that this system suits the men and suits ourselves. It is an economical system, and I have already explained the point which Mr. Joshi has overlooked, that the evertime fees do not amount to 25 per cent. of the salaries of the men, because they include payments from Sunday fees which go towards other purposes.

I hope for the reasons I have already given, the House will not accept this amendment. It is a very dangerous thing to do. You have got these men drawing certain fixed rates of pay. For very many years past, they have also drawn overtime allowance, and reducing this provision by 4 lakhs

will reduce the emoluments of these men. You may thus set up discontent in a very important part of your Public Services, a service upon which 50 crores of revenue will depend next year.

The motion was negatived.

**Mr. S. C. Shahani:** Sir, I beg to move:

'That the demand under the head 'Customs 'be reduced by Rs. 10,00,000.'

I would request the House to consider the question carefully. On page 1 of the Demands for Grants I propose dealing with three points; firstly, the total Budget Estimate for 1922-23; secondly, the salaries of Collector and Assistant Collector; and, thirdly, the salaries of Appraisers, Preventive Officers and Clerks.

To begin with the first point. The House will notice that the total expenditure for 1922-23 is estimated at Rs. 70,58,000. I wish to point out that, in the year 1920, it amounted to 46·70 lakhs, and in 1911-12, it amounted to 37·53 lakhs. The expenditure has thus increased during the nine years 1911-12 to 1919-20 to the extent of 24 per cent. and during 1920-21 to 1922-23 to the extent of 50 per cent. We have been told by the Honourable the Finance Member that the ratio of expenditure to revenue has risen from 1·8 to 2·16. It is true that the Customs is a very paying Department, but there is no justification on that account for the reckless expenditure that is being incurred in this Department. I call it reckless. Notice the increases that have been allowed to Collectors and Assistant Collectors in their salaries during the last year. If you will look into the Demands for Grants last year (page 1), you will find that the maximum salary of the two junior Assistant Collectors in Madras was Rs. 550—750; and these salaries have been raised from Rs. 550—750 to Rs 1,750, an unconscionable increase. (*A Voice*: 'No, no.') At any rate, the figures there show it. Again, the maximum salary of the Collector was there shown as Rs. 2,350, and here it has been shown as Rs. 2,750.

I said, while dealing with the amendment that had been proposed by Mr. Rangachariar, that the salaries that have been allotted to the Senior Executive Engineers or the District Superintendents of Police would be quite adequate for the Collectors, namely, Rs. 1,300, *plus* Rs. 75 technical allowance *plus* Rs. 250 overseas allowance. The maximum should not exceed Rs. 1,625 in the case of the Collectors.

I maintain that the Executive Engineers receive more technical training and are qualified to receive more per month. My proposal is that the Senior Assistant Collector should not get more than Rs. 550 *plus* Rs. 50, *plus* Rs. 150, that is, Rs. 750 in all and the Junior Collector should not get more than Rs. 350 *plus* Rs. 150, that is Rs. 500 in all.

Then, I come to the next point, namely Appraisers, Preventive Officers and clerks. I find that these were mentioned separately in the book of Demands for Grants last year. I do not know why they have been grouped together this year. I take it that the number of Appraisers is 8 or 10—they were 8 last year. I do not understand why the head Appraiser should get more than Rs. 500 or why the junior Appraisers should get more than Rs. 200 to Rs. 400, and I do not understand why the Preventive Officers, whose work is not better than that of the Police Sub-Inspectors or European Sergeants, should get more than Rs. 80 to Rs. 160.

Then, I would request the House to look into page 2, and I would draw the attention of the House to the salary that is allotted to the Commissioner in the Bombay Presidency. I find that this post does not exist in any other part of India, and I do not understand why we should go on adding to the cost of the department unnecessarily. If other parts of India are doing their work efficiently without the Commissioner, there is no reason why we should have an additional Commissioner in Bombay. The next point to which I should like to draw the attention of the House is the Probationers and the provision that is made for these probationers in Bombay. In these days, qualified men can easily be secured and I do not understand why probationers drawing fat salaries should be provided in the Customs Department of Bombay.

Then, I would request the House to look into page 3 under 'Sind Division'. I find that two Assistant Collectors are provided for Sind. I know the working of the Customs Department of Karachi pretty intimately and I find that one Assistant Collector can be easily done away with. One, I understand, would be retiring in October next, and my own idea is that no one should be appointed to his post, since, in a recent scheme that has been sanctioned, one Auditor has been created drawing Rs. 400—20—600 and

two Superintendents have been brought in on a salary of Rs. 300 rising to Rs. 400. The next point on this page that I would deal with would be the house-rent and other allowances. It is not indicated whether this allowance is intended for officers or for subordinates.

**The Honourable Mr. C. A. Innes:** They are intended for subordinates.

**Mr. S. C. Shahani:** Then I would certainly support them, for these poor devils are paid small salaries and I do not wish in any manner to propose that their house rent should be taken away from them. Karachi is a very costly place and I should be pleased if an Examiner gets about Rs. 50 per month as house-rent.

Then, I would request the House to look into page 4. In Calcutta, a Chemical Examiner draws Rs. 1,600 and I find that in Sind our Chemical Analyser gets Rs. 250 *plus* Rs. 100. I have always felt that the work can be rightly done by a Professor of the Medical College and it is unnecessary to spend Rs. 1,600 on this appointment. In support of what I have said with regard to the Collectors on page 5, I want to draw the attention of the House to the Collector at Chittagong drawing no more than Rs. 900. I would request the House not to allow these concessional increases in the salaries of these high officers. Before I sit down, I would draw the attention of the House to one other point and it is this, that the Member in charge of Commerce deals directly with the Customs Departments in the different parts of India in matters relating to tariffs and duties and interpretation of Customs law, but, in matters relating to offices and appointments, the correspondence has to be carried on through Local Governments, which involves unnecessary delay. With these remarks, I request the House to consider the question carefully and to insist upon the reductions which I have proposed being made.

**Sir Vithaldas D. Thackersey** (Bombay Millowners' Association: Indian Commerce): I ask your permission, Sir, to move the next proposition standing in the name of Rao Bahadur T. Rangachariar, because it concerns the same subject. Mr. Joshi was kindly allowed to move a motion for the reduction of 4 lakhs as an amendment to the proposition of Mr. Kamat.

**Mr. President:** It can be taken separately.

**The Honourable Mr. C. A. Innes:** Sir, this is another motion against which I hope the House will sternly set its face. Mr. Shahani proposes that, out of the demand of 70 lakhs under the head 'Customs', no less than 10 lakhs should be struck out by one sweep of the axe. I listened to his speech with the greatest care and attention and I must confess that I could discover no good grounds on which so large a reduction should be made, or indeed any reduction at all should be made. Mr. Shahani, in the first place, made some totally incorrect statements regarding the increase of the pay of Assistant Collectors in the Customs Service. As I have already explained to the House, the pay of non-Civilian Assistant Collectors was fixed in 1911 at Rs. 300 rising by annual increments of Rs. 50 to Rs. 1,450. The revision of pay which took place last year or the year before, merely raised their pay to Rs. 350 rising to Rs. 1,500. In other words, this revision raised their pay by Rs. 50 a month. It gave, I admit, an overseas allowance to European non-Civilian Assistant Collectors and, because we had done nothing at all for our Indian officers or Anglo-Indian officers, we allowed these officers also to draw, as a special case, this overseas allowance, provided they were already in the Service. This allowance will not be given to future recruits. That is the first point.

Mr. Shahani told you that we raised the pay in one case from Rs. 550 to Rs. 1,750. Nothing of the sort. We have raised the scale of pay by roughly Rs. 50 a month. Mr. Shahani was misled by some entry in the Budget of last year. Customs officers prepare their Budget in different ways. Some give the scale of the Assistant Collectors and assume roughly what they are going to cost them in the year. Other officers put down the actual pay drawn by the particular officers who are serving in the port at the time. These officers are on the scale of Rs. 350 to Rs. 1,750. In one port you may have an Assistant Collector drawing Rs. 1,750, in another port you may have an Assistant Collector drawing Rs. 350. Mr. Shahani has said that their pay has been raised from Rs. 550 to Rs. 1,750. Nothing of the kind. What may have happened was that an officer on Rs. 550 may have been replaced by an officer on Rs. 1,750.

Then, again, Mr. Shahani made an attack upon the enormous pay of Appraisers and Preventive Officers. Now, I should like this House to remember that, in every case, the scales of pay, I mean the revised scales of pay, which have been sanctioned for Appraisers, Preventive Officers and the like, have all been scrutinised by us and by the Standing Finance Committee

of this House. Cannot the House trust its own Standing Finance Committee jealously to scrutinise the proposals put up before it by the Department? And, mind you, these proposals have, in the first instance, been carefully scrutinised by us.

Mr. Shahani then stated that there were too many Assistant Collectors at Karachi. Well, Sir, you have got Mr. Shahani's opinion to that effect. On the other hand, we have our expert Collector of Customs, who is responsible to the Government of India for the collection of the Customs revenue and the maintenance of the Customs revenue at Karachi, and my information is that, so far from two Assistant Collectors being too much, he requires another Assistant Collector; but the Standing Finance Committee refused to sanction one.

However, Sir, I do not propose to follow Mr. Shahani into any further details. Let me point out to the House that this House expects us to collect Customs revenue next year of a sum which may amount to anything between 40 to 50 crores of rupees. In order to collect that amount of money we have to have Preventive Officers to prevent smuggling; we have to have highly skilled Appraisers in order correctly to appraise the *ad valorem* rate on which your customs duty is based; we have to have clerical staff to deal with all the bills of entries and the shipping documents, and, finally, we have to have our supervisory staff. I ask the House with all confidence, can anybody here say that we are putting an undue burden upon Indian revenues when we collect 40 to 50 crores of revenue for you at a cost of less than 2 per cent.? Can anybody say that that is extravagant? (Cries of 'No'.) I think not.

Then, Sir, let the House apply itself to another problem. Supposing the House by any mischance agrees to this reduction of 10 lakhs of rupees. How am I to effect that reduction? The Customs Budget is made up as follows:

Five lakhs of rupees go for the pay of your superior staff of officers; 44 lakhs of rupees for the pay of your Appraisers, Preventive staff and clerical establishments; 11 lakhs of rupees for overtime and other allowances; supplies and services account for 6 lakhs of rupees; and Rs. 3,50,000 go to Indian States in accordance with old treaties. How am I to get that 10 lakhs of rupees if the House cuts it out? I cannot get it out of the pay of the establishment, I cannot get it out of assignment. The House has already agreed that the overtime allowances should not be interfered with. Where am I to get my ten lakhs of rupees? From the pay of the staff; that is to say that men actually in service are to have their pay cut down. Is that right or is that fair? (*A Voice*: 'It is impossible'.) I have scrutinised this Customs Budget carefully and I cannot see where you are going to get the ten lakhs from. I regard this as a dangerous motion, a motion which may have a most disastrous effect upon your revenues and a most demoralising effect upon your Services, and I hope that the House will reject it unanimously.

The motion was negatived.

**Sir Vithaldas D. Thackersey**: Sir, I beg to move:

'That the demand under head 'Customs' be reduced by Rs. 3,52,900.'

I have listened carefully to the remarks of my Honourable friend, Mr. Innes. This proposition moved by me, I may say, has a method of his own. Government have adopted or approved of the recommendation of this House to appoint a Retrenchment Committee. If Government expect the Retrenchment Committee to make recommendations for the reduction of the total expenditure to the extent of at least 5 per cent., I say that the proposition that I am moving now is perfectly justified. If Government do not expect the Retrenchment Committee to make recommendations to the extent of 5 per cent. reduction, I would say 'do not appoint a Retrenchment Committee.' (Hear, hear.) Retrenchment is the order of the day. (*Mr. N. M. Samarth*: 'Retrenchment should be the order of the day'.) Retrenchment should be the order of the day. It has been the order of the day in the Bombay Presidency, which is ahead of any other Presidency (Hear, hear), both in recovering money and in spending. Sir, a great demand by the Bombay Legislative Council arose for retrenchment and Government came forward and said: 'Here we are ready to meet the wishes of the Members'.

**Mr. President**: Order, order. What has the Bombay Presidency to do with this motion?

**Sir Vithaldas D. Thackersey**: The method adopted in Bombay has been to reduce the grants proportionately to all Departments to the extent of 60 lakhs to be adjusted later on by reappropriation. If we follow the same procedure and reduce 5 per cent. on each grant, we shall get a reduction of

about a crore or a crore and a half in the whole of our Budget; otherwise, we will be showing our Budget expenditure larger by a crore of rupees in spite of our conviction that the Retrenchment Committee should be able to reduce by one crore. I cited the case of Bombay only to show that the method they adopted was the method I recommend now. I propose that by the reduction under each head Government should give proof of their determination and their sincerity to reduce the expenditure next year, and thus pass a smaller Budget figure. If Government later on find that readjustment or re-appropriation among the grants, is necessary, it can easily be done; at the same time, it will not affect the results. I say that this House should adopt this principle that from the total grant we should reduce approximately 5 per cent. and leave Government to adjust it, and not show our Budget expenditure one crore higher than we would otherwise expect Government to do and to tax the country unnecessarily.

Well, Sir, we were just told by my Honourable friend, Mr. Innes: 'Here are the salaries, here are the overtime allowances, here are the other items of expenditure; how am I to reduce?' That is the exact reason why we say, that if we are determined to have retrenchment, it is best to leave it to Government officials to decide whether it should be by reduction of officers, or partly by Indianising the Services and partly by the omission of unnecessary expenditure after consulting the Heads of Departments. It will be impossible for this House to put its finger on a particular item and say 'retrench here', because it will be quite easy for the Honourable Member in charge to say that that particular item is the most important of all and cannot be reduced. (Laughter.) The same thing happened elsewhere. In England a Retrenchment Committee sat and recommended large reductions. How far the recommendations of the Retrenchment Committee can be accepted, it is for Government to consider. But it is for this House to give an indication that it is of opinion that a minimum of 5 per cent. reduction should be carried out next year. My amendment is based on this principle of a 5 per cent. reduction. I hope the House will accept this principle, if it does not want to tax the country to the extent of one crore more.

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): I wonder, Sir, if you will permit me to move my motion as an amendment to my Honourable friend, Sir Vithaldas Thakersey's motion, because it is practically of the same nature and based on the same principle. I shall be very glad if Sir Vithaldas' motion is carried, but, if it is not, I hope that the House will at least carry the motion that stands in my name, namely:

'That the demand under head 'Customs' be reduced by Rs. 3,00,000.'

Sir, my Honourable friend, Sir Vithaldas, has anticipated me in what I was going to say with regard to the principle on which reductions should be made in the present year's Budget.

The Honourable Mr. Innes has pointed out various difficulties which lie in the way of reduction. I think it would be difficult for Honourable Members of this House to take item by item and suggest reductions in those items, because the figures are at my Honourable friend's fingers' ends and it will be possible for him always to meet us so far as arguments are concerned. But I do think that there is agreement on one thing—that there should be some reduction and that for that purpose a Retrenchment Committee is to be appointed. If that is so, let us show our sincerity by carrying out the reduction here and now. My suggestion is not at all an unreasonable one. If the Honourable Member for Commerce and Industry will only agree with my suggestion, it is possible for him to accede to reductions being made on the scale which I propose. Take, for instance, the Overtime and Holiday Allowances. As has been pointed out, 8 lakhs have been provided.

**Mr. President:** Order, order. That question has already been discussed.

**Mr. Jamnadas Dwarkadas:** Yes, Sir, but I want to point out that my 3 lakhs include a proposal to reduce 2 lakhs out of the 8 lakhs that are provided for the Overtime and Holiday Allowances.

**Mr. President:** Order, order. The House has already decided not to omit that allotment.

**Mr. Jamnadas Dwarkadas:** If you think, Sir, that it is out of order, I won't touch on it.

**Mr. President:** The Honourable Member does not appear to understand that once the House has given a decision not to omit an item, it must stand in the book.

**Mr. Jamnadas Dwarkadas:** I beg your pardon, Sir, but I should like to be clear on this point. The House has decided not to reduce it to the extent of 4 lakhs. I was only suggesting that it should be reduced to the extent of 2 lakhs. I wonder if that is out of order.

**Mr. President:** The House has already decided negatively in two cases—one, the general case, that all Overtime and Holiday Allowances should be omitted; and the other put up by Mr. Joshi for a reduction of 4 lakhs.

**Mr. Jamnadas Dwarkadas:** Very well, Sir, I won't touch on that. But I think it is possible, if the Honourable the Commerce Member will agree to it, to reduce the expenditure by 3 lakhs of rupees. Take another item, take the other contingent expenditure. I think the contingent expenditure in this year exceeds the Actuals of the past year. I think, therefore, that there is a good deal of room for reduction everywhere, and my reasonable demand for reduction by 3 lakhs ought, I think, to be supported by this House and by the Government.

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban) Sir, I must apologise to the House for being late this morning. Sir, I support this motion which has been taken up by Sir Vithaldas Thackersey on my behalf. The point of view, Sir, that we take in moving this item of the Budget is this. The Government are anxious,—I take it they are anxious,—and we are anxious that there should be retrenchment on the civil side, as far as possible, and 'as far as possible', I hope, will be understood to mean 'to the furthest possible extent.' It is with that view, Sir, that we make this modest proposal as a beginning in preparing the ground for the Retrenchment Committee which is going to be appointed.

We have an example for this 5 per cent. reduction in that Department which is the leading Department for expenditure, namely, the Military Department. We were told the other day by Sir Godfrey Fell that His Excellency the Commander-in-Chief gave orders that there should be an all round 5 per cent. reduction, I believe, in the Army Headquarters Staff, and that those instructions were being faithfully carried out. Therefore, that shows that our proposal is a practicable one, and the Government are not going to be hit hard by this proposal; for, as we see every year, and as we saw also last Saturday, as well as during the September Session, the Government are bound to come up with Supplementary Demands for Grants. When we have made this reduction in the total estimate, I am sure the work of the Government will not suffer at all; for we are budgeting for 12 months' expenditure and when the Retrenchment Committee sits and makes proposals for reduction, then they will have something to go upon, as I have already stated, and we shall be preparing the ground.

These various allowances have shown a tendency recently to develop in several directions. They require close investigation and I daresay the Retrenchment Committee which is going to sit will take it up in right earnest.

There is again room for making retrenchments by not filling up casual vacancies which arise during the course of the year. My own belief, but that is not a belief which is founded on actual experience and seeing the work, but as an outsider, is that there are far too many superior officers. There is altogether too much supervision. Now, supposing a superior officer takes leave in the course of the year, it may be possible to try the experiment of seeing whether by keeping his post vacant and making another officer do that duty, whether equal efficiency or at least nearly equal efficiency cannot be produced in the working of the Department. That is one direction in which the Government can easily make experiment.

There is another direction in which experiment can also be made easily, or rather the whole question can be reconsidered. I do not think there is any country in the world which enjoys the large number of holidays which our public offices enjoy in this country. I have spoken to some Englishmen, some of them coming out from England, and they say the number of holidays in this country is something marvellous I do not know if that is not the experience of English friends in this House. One holiday cut down means really a great saving to the country. Looking at the army of officers and men who run the Government, even if you can cut down one holiday in a month or say six holidays in the year, I think you will be saving a good deal. It is in order to make sure that we are really in earnest about effecting retrenchment that we have made this proposal and I hope it will commend itself to the House.

**The Honourable Mr. C. A. Innes:** Sir, here again I have listened with the very greatest care to the arguments which have been advanced in favour

of this proposal. Sir Vithaldas Thackersey and Mr. Jamnadas Dwarkadas seem to base their whole case upon the Bombay Presidency, upon something that the Bombay Legislative Council has done. Well, Sir, this is not the Bombay Legislative Council, nor has it anything to learn from that Council . . . .

**Mr. N. M. Samarth:** The Bombay Government have done so.

**The Honourable Mr. C. A. Innes:** The same remark applies to the Bombay Government. We are not bound by anything that they may do. What is the proposal? All the gentlemen who have spoken have said: 'We admit that you are going to appoint a Retrenchment Committee; let us show that we are in earnest with that Retrenchment Committee by proceeding, before that Committee sits, with a reduction of 5 per cent., whether it is possible or not let us make it; let this show whether we are in earnest or not'. Surely that is a case of putting the cart before the horse. I am entirely in favour of this Retrenchment Committee. But what I hold is that we have to have these reductions settled in consultation with a Committee of that kind. You may be able to make bigger reductions in one Department than in another; and it is unscientific that this House, knowing, as they have admitted, very little about the Customs Department, should begin and say: 'Well, we are going to take 5 per cent. off your Customs expenditure to begin with.' Why cannot you leave it to the Retrenchment Committee to decide whether anything can be taken off Customs at all? Mr. Jamnadas Dwarkadas and Sir Vithaldas Thackersey said: 'Oh, Yes; Mr. Innes is always pointing out difficulties.' Of course, I point out the difficulties. Did they make any attempt to solve them or show how I was to surmount those difficulties? No; they merely said; 'You cut out something and you will be able to manage; and if necessary you can come up with a supplementary demand later.' Now, Sir, is that an honest way of dealing with this problem? What is this House doing? Is it going to cover a deficit in part by making reductions which it knows cannot stand? Because I defy anybody to go through this Customs Budget and point out to me where I can reduce it by 5 per cent. My friend, Mr. Rangachariar, was not here when I read out the figures. There are Rs. 5 lakhs for the superior staff and Rs. 44 lakhs for the subordinate staff; and, if I am to reduce the expenditure by 5 or 7 per cent., I shall have to take it out of the pay of that staff; nothing else; there is no other place. Mr. Jamnadas referred to Contingencies. How can I reduce Rates and Taxes and Post and Telegraph charges? It cannot be done. They are based on Actuals and it is the best estimate we can make. If we are therefore to effect this reduction, it can be done only on the salaries; and, as I pointed out before, are we going to cut them down? Will Mr. Rangachariar get up in this House and advise me to cut down the pay of men already in the service by 5 per cent.? Of course, he would not. I therefore say, Sir, that to make a general reduction of 5 per cent. in all Departments, without any discrimination at all, without having regard to the departments where the best chance for reduction is, that, I say, is an unscientific method to which this House should not commit itself. I am quite prepared to place the Customs Budget before the Retrenchment Committee; I am prepared to leave it to them to say whether a reduction can be made; but I do protest against this House making a reduction of 5 per cent., which I conscientiously believe cannot be done as regards the Customs Department. I have warned the House once before that nothing would be more dangerous, more demoralising to the Service or disastrous to your revenue than to make cuts in the pay of your staff who guard for you a revenue of Rs. 50 crores; and so I hope that this House will not accept this amendment.

**Mr. Manmohandas Ramji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, if we follow the logic that we have heard just now, the conclusion we have to arrive at is that there is no room for reduction . . . .

**The Honourable Mr. C. A. Innes:** In the Customs Department.

**Mr. Manmohandas Ramji:** That probably is what every other Department will say. Therefore, there is no need for appointing a Retrenchment Committee, because the same argument will be advanced before that Committee that it is not possible to make any retrenchment at all. (Hear hear.) Retrenchment we are bound to make and we must make, and, therefore, we have to see how that retrenchment can be effected. Of course, I follow the argument advanced by Mr. Innes that it is not an easy task to reduce expenditure in a Department which has been working for a very long time. You cannot go and offer 5 per cent. or 10 per cent. or 20 per cent. less to your staff generally; you cannot do it; but there are ways and ways of doing it; that is, if you want efficiency and if you want reduction, then there is only

one way; and that is, according to my light, to increase the pay and reduce the numbers. If you increase the pay, you do not dishearten the men; you are not faced with discontent, but you encourage a willing horse to go faster and you can dispense with a number of hands and save something out of their pay. Supposing you pay an officer Rs. 1,000 per mensem, if you offer him Rs. 1,200 and ask him to do a little more work, I think that is quite possible and quite practicable. It has been followed in several large institutions and with success. I think it is quite possible for Government to do it. Of course, when they have certain agreements, when they employ a certain number of hands, when we see that there is overtime also required to be paid, with all these difficulties there is no other help but to move in a direction whereby you can effect a saving. Mr. Innes pointed out that in his Department, which is a money-earning Department, there should be no reduction, because the Department is very hard-worked. Quite right. If that is the case, if Mr. Innes can prove that to the satisfaction of the Retrenchment Committee that is to be appointed, there will be no difficulty. Perhaps the Retrenchment Committee may be convinced that the Customs Department wants more pay and more money allotted to it, in that case they would cut down some other Department which is quite useless by 10 or 15 per cent, and give Mr. Innes one or two per cent. more even. Therefore, it is not right to say that nothing can be done. I think the amount of 5 per cent. to begin with is quite right and quite satisfactory.

**Mr. C. W. Rhodes** (Bengal: European): Sir, may I join with my fellow-Members from Bombay in expressing our grievance against the Member for Commerce? He has framed honest estimates. He has been asked to explain them and he has justified them. I think we have a distinct grievance against him. I think he will have learnt from this discussion to frame his Budget for another year with something to give away. The Retrenchment Committee is evidently not to be formed to find out whether retrenchments can be safely, justifiably and economically made, but to demand recklessly a reduction of expenditure in every direction. I cannot conceive of any good resulting from any Committee we may appoint if it starts its work in that way. In connection with Customs, this idea of a general retrenchment is particularly unfortunate. This is not one of our spending Departments. It is our greatest earning Department and to run the risk of losing a large portion of Rs. 60 crores, because we object to an extra collection expenditure of 2 per cent., seems to me most unbusinesslike and almost childish.

The new duties, which, if this House agrees to them, will come into law will entail a tremendous amount of extra work on the Customs. There will have to be more careful differentiation; there will certainly be more danger of smuggling; and, if a sweeping reduction is to be made regardless of the facts of the case, I think it is most unfortunate that it should be made in connection with Customs. The Honourable Mr. Innes has already told us that the Collector of Customs at Karachi required a third Assistant and that the Finance Committee turned the request down. Therefore, retrenchment work has been done by Members of this House and it seems to me that we are stultifying our own Committee if, on top of that, we come and say 'You must reduce. We do not know where. All your arguments are sound, but we demand reduction regardless of the consequences.'

**Dr. H. S. Gour:** Sir, if the Honourable Member for Commerce and Industries ventilates the views of the Government, then I fear little good will come out of the proposed Retrenchment Committee. His special pleading on behalf of the Customs Department would be the special pleading on behalf of all Departments (*A Voice:* 'Why?') and from the cursory inquiries made by the Members of this House from those directly and indirectly responsible for the running of the different Departments, we find that if we turn ourselves to a particular Department and say: 'Your Department is a transferred subject; you should save', we are told: 'Our Department? It is the most hard-worked and under-staffed of all Departments. Sundays or no Sundays we perspire and work. This is the Department which requires your compassion, your commiseration, your best sympathies: Reduction is impossible. We are crying for an increase. If not of 10 per cent. at any rate let us have 5 per cent.' Go to the other Department and the other Department says: 'Never has a more economical Department ever worked in this universe. Everywhere we are undermanned and over-worked. Our clerks are ill-paid. They get no over-time. They sit from the day's beginning to the day's end. Retrenchment is impossible—utterly impossible.' That is the response we get from all the Departments. Now, I ask, if this is the view of the Members of Government, and this is the attitude of the Honourable Member for Commerce and Industries . . . . .

**The Honourable Mr. C. A. Innes:** Speaking for Customs.

**Dr. H. S. Gour:** Speaking for Customs, to which I shall presently advert, what is the good, I submit, of a Retrenchment Committee? I was surprised to hear my friend, the Honourable Mr. Rhodes, who got up, I think, to support this Resolution moved by Members on this side of the House, but unwittingly strayed into the enemy's camp. I ask him, Sir, as the representative of a Commercial House, whether he can tell us from his own experience that any Department, of which he has any personal knowledge, is run on the lines on which the Government of India is run? Does he know of any Department where the holidays extend to five months in the year? (Hear, hear.) (*A Voice:* 'No, no.') My friend says 'No, no', coming as he does from the Calcutta High Court. He says that it will be more than five months. I have understood the case. Is there any Department, I say, where the ordinary holidays are counted not by weeks but by months? Is there any Department, I ask, where you have multiplication of duties, a paper Government *in excelsis*, where tons of paper are consumed and gallons of ink.

**Mr. President:** Are these tons of paper consumed in the Customs Department?

**Dr. H. S. Gour:** Yes, Sir, I am just coming to the Customs Department, and the House will be surprised how many tons of paper are consumed in the Customs Department. Now, I ask, Sir,—it is a very simple question—if this Retrenchment Committee is given a certain direction, that the House requires that a certain percentage of cuts must be made, then I say that the Retrenchment Committee will go charged with the duty of at least effecting retrenchment to the extent of 5 per cent. But, if you do not charge your Retrenchment Committee with the work of economising to the extent of at least 5 per cent., be sure the Committee will submit a report and say: 'We have examined all the Departments and overhauled the books of the Government of India and we were never more convinced than we are now how utterly under-staffed and under-manned are the various Departments of the Government of India.' (Hear, hear.) My friend, Mr. Innes, says: 'Hear, hear'. It is an intelligent anticipation of the Retrenchment Committee, if it is created without being given a mandate from this House to deduct and to retrench from all Departments at least 5 per cent.

Now, Sir, I have been asked what that has got to do with Demand No. 1 under the head 'Customs.' I shall now explain what it has got to do with Customs. If my Honourable friend on the other side will turn to the book of statistics from which I have collected the information, he will find that, in the year 1911-12, Rs. 37 lakhs—I leave out the thousands for obvious reasons—was the total expenditure on Customs. In 1918-19, it rose to Rs. 45 lakhs. In 1920-21, the Actuals were 69 lakhs, being 3 lakhs in excess of the Budget of that year. And now, the total amount demanded under the head 'Customs' is Rs. 71 lakhs. In other words, within the last 10 years, the expenditure on Customs has doubled itself . . . .

**The Honourable Mr. C. A. Innes:** And the revenue?

**Dr. H. S. Gour:** My friend interjects 'And the revenue?' I was just coming to that. The House will remember that not one single pice has been added to the revenue on account of the increase of salaries, and all increases in the revenue, judging from the books, are on account of the revision of the tariff. It is entirely or almost entirely due to the enhancement of the Customs duties.

**Sir Montagu Webb** (Bombay: European): Extra work has meant increased salaries.

**Dr. H. S. Gour:** And for the extra work, to which my friend refers, extra men have been employed. The result has been that the expenditure has gone up from 1·8 per cent. to 2·16 per cent.

**Mr. R. A. Spence:** It is very little.

**Dr. H. S. Gour:** Exactly double. The percentage, you will see, bears an exact relation to Rs. 37 lakhs and Rs. 71 lakhs and 68 thousand. I ask, is this doubling of expenditure within the last 10 years justifiable? On what ground does Mr. Innes justify this doubling of the percentage expenditure within the last ten years? He will say dearness of prices: cost of living has gone up. I think we were told only the other day that the cost of living had gone up by something like fifty per cent. and yet, the expenditure under the head 'Customs' has, as I have pointed out, doubled itself within these ten years. The Honourable Mr. Innes has no difficulty whatever in dealing with the details of different expenditure which the Honourable Members attack; and he cynically remarked: 'You have attacked Item

No. 1. You are ignorant of the circumstances under which this expenditure is incurred.' As if we, on this side of the House, were responsible for the ignorance for which the Honourable Member himself is responsible! Has not this House time and again asked the Members of the Government to take us into confidence by constituting Standing Committees where our Members will learn the arcana of the different Departments? What response has the Government given to the Resolutions passed by this House? And yet that Government, which throws over the eyes of this House a mantle of ignorance, complains that we level our attack against the Members of the Government on account of want of accurate information and ignorance! I ask the Honourable Member, who has responded for the Government, to remember that, whatever may be the inaccurate expressions of the private Members of this House on matters of detail, the broad outstanding fact remains, and is incontrovertible, that you have not justified to this House the doubling of the expenditure within the last ten years. Your failure to do that makes you stand condemned, and is it too much to ask that, out of this expenditure, this evergrowing expenditure a reasonable retrenchment of at least five per cent. on the aggregate of the demands submitted to the vote of this House should be made? When it is the declared intention of the Government to reduce the ever-swelling expenditure, is it, I ask the Honourable Members of this House, a proposal which can be classed as extravagant or unreasonable? Let the Members answer? Despite the pleas that will be raised, and I have not the slightest doubt that my Honourable friend, the Finance Member, is crouching for an attack which will be levelled against this side of the House on grounds numerous and varied,—I ask the House to combine in supporting this motion in the interests of its own privileges, in the interests of true economy, and in the best interests of that Retrenchment Committee which has been promised and the purpose of which will be defeated unless we voice our wishes to that Retrenchment Committee that we desire and demand that at least five per cent. all-round retrenchment should be effected in the current Budget. Sir, I heartily support this amendment?

**Mr. F. McCarthy** (Burma: European): On a point of order, Sir. Is it right for a Member to turn his back on the Chair and address his own Party? (Laughter.)

**Sir Deva Prasad Sarvadhikary:** I desire to give this motion my general support, (Hear, hear) as a counsel of despair. What is the position to-day? We are between Scylla and Charybdis—between two fires. Take up any item in the thick printed volumes, and the same cry will rise from sacrosanct figures that you cannot touch, that without assistance you do not know-how to touch. Mr. Rangachariar's picturesque 'untouchables' are strewn all over the ground, on a much larger scale than he dared suggest himself. The proposal before us may be an unscientific position to take up, may be unbusinesslike, may even be childish, but it or something like it has got to be done, as a counsel of despair under the circumstances—as a beginning has to be made at some time and somewhere. (*A Voice:* 'Not on the Customs'.) I do not see why not here as anywhere else, for the objection so lustily voiced will apply to any other revenue-producing heads. Some time ago, I remember seeing a very powerful cartoon in one of the English picture papers that teaches you so much and so effectively. It was the picture of a surly and burly and typical John Bull with his steward, the Chancellor of the Exchequer, standing crestfallen behind the chair. John Bull kept on saying: 'That has got to be done.' All protests failed and that was done. That is why the Geddes Committee achieved what it did achieve. It had got to be done. (*The Honourable Sir Malcolm Hailey:* 'Quite so. The Retrenchment Committee'.) Yes, and the present proposal is only an anticipation, and an insistent anticipation. Sir, repetition will not strengthen an argument, but if it has really come to this that the elaborate, costly and specialised machinery of the Government of India cannot devise means by which retrenchment to the extent of a paltry five per cent. can be achieved, even where the Assembly has the right to insist on retrenchment, there is absolutely no reason for wasting money on a Retrenchment Committee, and I see no points in the Finance Member's tantalising hopes. I told the House the other day that a Retrenchment Committee might really add to expenditure and that misgoverning has been voiced again to-day by others. The Retrenchment Committee will probably end in landing us in more expenditure. If expletives and adjectives can fill that abysmal gap of Sir Malcolm Hailey, some of us who refrained from the use of needless adjectives in connection with the general discussion of the Budget might have contributed to the feat. Adjectives freely used to-day would not achieve the purpose in view in quite another direction and only disclose the apprehensions on the other side. I should like to put to my Honourable friend, Mr. Rhodes, with his rich vocabulary another question, one in addition to what Dr. Gour put to him as a business man. If he unfortunately had, year after year, his firm landed in terrific losses like this, partly due to controllable causes, would he

not send for all concerned, and ask them to put their heads together and would he not insist upon retrenchment at any cost, if his departmental heads failed to take the warning? Was not this cry for retrenchment raised last year, and did not every one of us, this year, when the Budget was discussed, appeal and supplicate and appeal in vain? What steps have the Government taken with regard to it and how have they yet assisted the House in adumbrating proposals for retrenchment? Proposals should have come from the Government, for none knows the position better.

Dr. Gour has appealed for combination in different parts of the House. I think we ought to combine when we can and when we ought to. (Cheers.) I believe in supporting Government when possible and also in opposing it when necessary. What we are forced to occupy to-day is not very firm ground, on the contrary it is almost quicksand, but unfortunately it is the best that you can have. We cannot combine when Dr. Gour's friends speak of some collection charges being 24 per cent. and he himself readily consents to its being 2·6 per cent. though it is really lower even than that. That is indeed a much more unsafe bigger quicksand than the one that we are now forced to take up for firm ground. The present reduction is our renewed practical appeal to the different Departments. We should like you to carry on with an initial five per cent. reduction all round and on an average. We feel you can do it if you will. If you can achieve more, do it please. If you cannot, and if readjustment be really necessary, come up later as you have done before, and satisfy us that it cannot be done and show us reasons. There is no dishonesty involved in this as Mr. Innes apprehends. I do join in the appeal, therefore, that we should combine on this question and insist on a five per cent. reduction all round to start with.

**Sir Montagu Webb :** Sir, I feel very considerable sympathy with all Members of this House who desire to impress upon Government the necessity for a policy of retrenchment. I notice on the agenda paper shortly coming before us a motion by Dr. Gour that all demands be reduced by ten per cent. Now, I submit for the consideration of this House that if we desire to impress upon Government the necessity of retrenchment to the extent of ten per cent., it will be very much wiser for this House to support Dr. Gour's motion than to pick out one particular branch of the Services and resolve that that particular branch shall be retrenched. Now it appears to me that of all the departments of Government which could have been picked out for retrenchment, the most unpromising of all is the Customs Department. Why? As my Honourable friend, Mr. Rhodes, has already pointed out, the Customs Department is a revenue-collecting Department. During the last ten years, it has been collecting more and more revenue under more and more difficult conditions. I know there has been no waste at all, so far as I have been able to observe, and I am in very close contact with the Customs Department. I have not the figures before me at the moment, but I think that the Customs revenue in the last ten years must have certainly more than doubled, and as the necessity for an increasing tariff advanced year after year, it has of course been necessary to employ more appraisers and more customs staff in order to collect that revenue. Surely this House does not expect to go on collecting three or four times as much revenue by the aid of a more and more complicated customs tariff, with a smaller staff and at a smaller expense! Then, again, my friend, Dr. Gour, has omitted all reference to the rise in prices. It is admitted that, during the last ten years, prices have advanced anything between 50 to 100 per cent. Suppose we put it at 75 per cent. In the circumstances, we should not at all be surprised if the pay of the establishments had had to be increased.

In other words, if 37 lakhs were spent on the Customs establishment ten years ago, we should not be in the least surprised to see 60 lakhs spent now. That naturally follows from the rise in prices. But that apart, there is this work of collecting the additional revenue. There are under the Tariff Act very complicated questions to be decided by the Customs officers, and, in my own personal experience, especially during the last two years, it has been a matter of constant complaint, certainly in Sind and in Karachi, and I believe in Bombay and Calcutta also, that the Customs staff is inadequate, that the ports are congested, demurrage is increasing, and that great difficulty has been felt by the mercantile public because the Customs was undermanned. That is my own personal experience. I would, therefore, ask this House, while fully sympathising with the desire for retrenchment, not to limit the retrenchment to one Department but rather to support a general motion, such as Dr. Gour will shortly put forward. For that reason, I appeal to this House to reject the motion now before us.

**Dr. Nand Lal:** I doubt very much whether the argument which has been advanced in favour of the general motion is tenable at all. This is an

occasion for the discussion of the Budget and each and every item is to be specifically examined. Therefore, all these reasons and grounds in favour of the general motion will be beside the mark and will be out of order. So I confine myself to the specific motion, in regard to the particular retrenchment, which has been moved and speaks for itself. My friend has proposed an amendment; while being in favour of the specific reduction, suggested by the Mover of that amendment, I certainly concede that there is much to be said for what the Honourable the Commerce Member has argued, namely, that general and indiscriminate reduction cannot always be made in each and every case. So far as logical principles are concerned, there is some force in it; but my Honourable friend has allowed himself to forget that it is not always logical principles which we should bow to, but, sometimes, expediency is to be courted. In some urgent cases, logic is to be postponed to expediency. The urgent and pressing cause at present is that the country is financially embarrassed. It cannot afford to pay so much which is demanded and, therefore, retrenchment is indispensably necessary, and I may thus ask the Honourable the Commerce Member to give reconsideration to the question of retrenchment which has been put before the House, and I hope he will change his mind by accepting it; otherwise it may be very respectfully submitted that we, the majority of the House, are in favour of this amendment and we are going to pass it. If we fail to support it, it means a great deal of discouragement to the Retrenchment Committee. I think we are not wrong in anticipating a very disappointing report of the Retrenchment Committtee if this amendment is not carried by the majority of this House. Therefore, I am whole-heartedly in support of this amendment and it ought to be accepted by the whole House unanimously.

**The Honourable Sir Malcolm Hailey:** I have heard doubts expressed not only to-day but previously as to the possibility of retrenchment being effected by a Retrenchment Committee; and when I have heard those doubts expressed, I have always discounted them. I do not believe for a second that a Retrenchment Committee, if it attacks the problem in the right spirit, applies pressure in the right direction and uses the proper discrimination, could fail to make a considerable retrenchment in our civil expenditure.

**Dr. H. S. Gour:** What percentage do you expect ?

**The Honourable Sir Malcolm Hailey:** I quite realise the nature of the dilemma which has been created and purposely created for Government by the motion which we are considering and by the similar motions affecting demands that will subsequently come before us. The House says: You admit that reduction should be made. We think it should total a 5 per cent. all round. You also probably think it should amount to at least this figure. Then what will happen? We shall take the grants one by one. Each Member responsible for the Department concerned will rise up and say that it is difficult if not impossible to make reduction. If we accept what he says, what becomes of the total reduction which both we and Government admit should be made? What becomes of the anticipations of the Finance Member, when every one of his colleagues denies that it is possible to effect each particular reduction proposed? I admit the dilemma, and it appears at first sight somewhat hard of solution; but I myself do not despair of solution. I do not take the same down-hearted view of things that my friend, Sir Deva Prasad Sarvadhikary, has voiced. I do not ask the House to adopt an attitude which is to use the words of another speaker 'unbusinesslike and almost childish,' because it cannot think of anything better to do.

I do not ask the House to follow Dr. Nand Lal in openly postponing logic to expediency in this case; For, Sir, the action that has been proposed is postponement of logic. I know the House finds itself in a somewhat difficult position. When they propose reductions they do so with incomplete knowledge of administrative facts and we at once proceed to pour forth a wealth of statistics which it is difficult to answer. That difficulty I clearly see. But on the other hand it does not appear to be a reasonable solution of your difficulties, if, when you find that first one reduction is not arguable, and then a second is not arguable, you merely say: 'We will consider no argument at all. We refuse to apply logic on any particular point whatever. We will apply the mere force of our votes.' I claim that the House should adopt a more reasonable and practical system. The one way of effecting your economy is the way they have adopted at Home, by a proper consideration of each Department through the agency of an authoritative Committee. In some cases the Committee has found that no substantial reduction is possible. In other cases it has found that very considerable reduction is possible. It seems to me that an all-round and automatic reduction is bound to be

unsystematic, because it will affect equally your Departments which are purely revenue-earning, such as this Department.—I do not hold myself up as the champion of this particular Department, but it is one of the great revenue-earning Departments—it will affect equally your revenue-earning Departments and your administrative Departments and your semi-scientific Departments. It has been suggested that we should 'accept this five per cent. reduction, and if we find that we cannot work it out satisfactorily we should come up for a supplementary grant. That would seem to me to move somewhat of dishonesty and I would not be a consenting party to it. If I accept a reduction, it must be such as I know to be genuine, I would not accept it subject to a suggestion that if we found that we were likely to be losing revenue or causing some inconvenience to the public we should simply sit still until September and then ask you to replace the vote; that would not seem to me to be an honest procedure on our part. That, then, Sir, is my difficulty. I believe retrenchment can be carried out, but it should be carried out with discrimination,—it is not possible to carry it out by applying an equal five per cent. through all Departments.

I am told that, if the House does not now effect this reduction in advance it will be a source of great discouragement to the Retrenchment Committee. 'Discouragement', Sir? What sort of a Committee does this House expect? A Committee that is to apply a reduction made beforehand, and finds that it has nothing whatever to do but to point out how the five per cent. reduction can be worked out? Is that the sort of Committee that the House was thinking of? (*A Voice:* 'Certainly not.')

**Dr. H. S. Gour:** You are thinking of no Committee at all.

**Rao Bahadur T. Rangachariar:** I wish to remind him of the mandate of the Chancellor of the Exchequer given to the Geddes Committee to reduce the figure by £100 million,—I forget the figure—I think Sir Arthur Geddes said: 'I come with this mandate and to see to the reduction.'

**The Honourable Sir Malcolm Hailey:** I take the parallel; but what are the facts? The Chancellor of the Exchequer asked the Committee to effect a particular reduction, about one hundred million. He did not adopt the unscientific and unbusinesslike method of asking the House of Commons to knock £100,000,000 off the national expenditure in advance before it knew where it could best effect reductions. That, however, is what Mr. Rangachariar is proposing to do.

Now, Sir, I come back to the function of a proper Retrenchment Committee. It may be right to give it a mandate in advance, but there is no need to do its work in advance; you ought to trust that Committee to effect economies where it can and where it may. It may be that it will effect economies larger than you suspect, but they must be effected with discrimination, and there must be no attempt to effect economies which will have the serious result of reducing your revenues forthwith. (Hear, hear.) If a mandate is to be given to a Retrenchment Committee, that is the only mandate, I think, which the House should give.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, I cannot withstand the temptation of making a few remarks in favour of this confessedly unbusiness-like and childish proposition. We have been told by the Honourable Mr. Innes that this is not the honest way of proceeding about it. Sir, my submission is that strong expressions never strengthen a case. With that remark, I shall leave that portion of the speech of the Honourable Sir Malcolm Hailey and the Honourable Mr. Innes where they indulge in strong language.

**The Honourable Sir Malcolm Hailey:** Might I interrupt the Honourable Member, Sir? To what expressions of mine is he referring? I was quoting expressions of previous speakers.

**Munshi Iswar Saran:** A reference was made to a certain procedure of retrenchment adopted in some other part of the country. Without pausing to consider the soundness or otherwise of that procedure, the whole reference has been brushed aside by the simple remark that we are not Bombay, that the Government of India is not the Government of Bombay. To an Oriental, Sir, modesty appeals with particular force. I shall submit to this House, with great respect, that, if we here can learn anything either from Bombay or from Madras, we should not be ashamed of learning it (Hear, hear): and might I say, in all humility, to such a distinguished and high officer of Government as the Honourable Mr. Innes, that he will increase his usefulness and his distinction by not disdaining to learn even from despised Bombay.

(Hear, hear and Laughter.) Sir, my submission is that my Honourable friends who have spoken in favour of this proposition have not spoken out their minds fully and completely. The situation is this. There is considerable dissatisfaction with the present rise in expenditure, and that dissatisfaction, I submit, is not confined to any particular part of this House. I may say it is almost universal amongst non-official Members, and it is in order to give effect to their feeling of dissatisfaction that this motion and similar other motions have been put down on the agenda paper to-day. I concede, and I concede most readily, that perhaps it may not be quite scientific to say, without going into the whole matter, 'cut this Department by 5 per cent.'. But what I submit is this, that, if you take all these reductions of five per cent. together and if you add them up, and, if you find that in any particular Department you are able to effect a reduction of 7 per cent. or of 8 per cent., make that reduction in that particular Department, and, as regards any other Department in which you cannot effect the reduction of 5 per cent., you keep its expenditure at a suitable figure. There will be no difficulty, I submit, if you reappropriate. We have been told—Here is this Retrenchment Committee; why don't you trust it? Sir, I should be sorry to say what I feel about it, not because I am afraid of giving expression to that view but I do not wish to cause offence. We were promised some retrenchment, we were promised some decrease in expenditure last year. I hope the House will bear me out that there were distinct assurances given last year. May I ask what has been done? How has Government tried to meet the almost universal demand of last year? The same tale of woe is repeated again this year, and I maintain it is no good saying, 'Trust this Committee which is being formed'—and, Sir, in passing, might I be permitted to say that no Retrenchment Committee will be able to achieve the desired result unless and until you revise your whole policy. It is on the revision of pay and the system of recruitment, that the question of retrenchment is really based. I support this motion on the ground that it is proper for the House to give effect to its feeling of dissatisfaction and its opinion that expenditure is rising. One word more and I have done. The Honourable Mr. Innes has given us a warning that, if we adopt this procedure, the officers will be demoralised and our revenue will decrease. That may or may not be, but what I wish to say emphatically is that, if the present rate of expenditure continues, the country will be reduced to absolute poverty.

**Mr. R. A. Spence:** Sir, I move that the question be now put.

**Mr. President:** The question is:

'That the demand under head 'Customs' be reduced by Rs. 3,52,900.'

The Assembly then divided as follows:

AYES—63.

Abdul Majid, Shaikh.
Abdul Rahaman, Munshi.
Abul Kasem, Maulvi.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Cotelingham, Mr. J. P.
Das, Babu B. S.
Das, Pandit R. K.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussainally, Mr. W. M.
Ibrahim Ali Khan, Lieutenant Nawab M.
Ikramullah Khan, Raja M. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. P. L.
Mudliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Nayar, Mr. K. M.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Samarth, Mr. N. M.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Ujagar Singh, Baba Bedi.
Wajihuddin, Hajir
Yamin Khan, Mr. M.

NOES—34.

| | |
|---|---|
| Abdul Quadir, Maulvi. | Innes, the Honourable Mr. C. A. |
| Aiyar, Mr. A. V. V. | Kabraji, Mr. J. K. N. |
| Akram Hussain, Prince A. M. M. | Keith, Mr. W. J. |
| Amjad Ali, Maulvi. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | McCarthy, Mr. F. |
| Bray, Mr. Denys. | Mitter, Mr. K. N. |
| Bryant, Mr. J. F. | Percival, Mr. P. E. |
| Chatterjee, Mr. A. C. | Renouf, Mr. W. C. |
| Clarke, Mr. G. R. | Rhodes, Mr. C. W. |
| Crookshank, Sir Sydney. | Sapru, the Honourable Dr. T. B. |
| Dalal, Sardar B. A. | Sharp, Mr. H. |
| Dentith, Mr. A. W. | Spence, Mr. R. A. |
| Faridoonji, Mr. R. | Vincent, the Honourable Sir William. |
| Fell, Sir Godfrey. | Waghorn, Colonel W. D. |
| Habibullah, Mr. Muhammad. | Way, Mr. T. A. H. |
| Hailey, the Honourable Sir Malcolm. | Webb, Sir M. dePomeroy. |
| Hullah, Mr. J. | Zahiruddin Ahmed, Mr. |

The motion was adopted.

**Dr. H. S. Gour:** Sir, I move:

'That all demands be reduced by 10 per cent.'

**The Honourable Sir Malcolm Hailey:** Sir, on a point of order I would ask for a ruling whether this reduction should not be voted on each clause or whether an omnibus Resolution of this nature is a legitimate form of procedure.

**Mr. President:** A motion of this kind cannot be put from the Chair. The only motions which can be put from the Chair are those which refer to each individual grant.

**Dr. H. S. Gour:** It is for you, Sir, to rule whether this is not in order. If it is not in order, I cannot withdraw a motion. If it is in order, I wish to press it.

**Mr. President:** The motion as it stands is not in order. A general motion cannot be taken under an indivi dual demand for grant.

The question is:

'That a reduced sum not exceeding Rs. 60,49,100 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Customs'.'

The motion was adopted.

The Assembly then adjourned for Lunch till Five Minutes to Three of the Clock.

---

The Assembly re-assembled after Lunch at Five Mlnutes to Three of the Clock. Mr. President was in the Chair.

---

## Taxes on Income.

**Dr. H. S. Gour:** When I gave notice of my amendment, which has been printed as Item No. 14, under Demand No. 1, I did not intend to couple it with any particular Demand. It was a general Resolution applicable to all Demands and was intended to embrace all Demands. Instead of writing out so many different notices to be printed along with each Demand, I gave one notice applicable to all. I move, therefore, Sir, that my motion:

'That all demands be reduced by 10 per cent'

be understood as applicable to all Demands, and referring to Demand No. 2.

General reduction of 5 per cent.

I move that all Demands be reduced, with your permission, by at least 5 per cent. That I submit, will very greatly reduce the task of the Honourable Members who will have to deal with this particular subject of Demand No. 2. I need scarcely say that my motion is essentially a reasonable one. The Honourable Members on the other side will find that the expenditure in 1911-12, on this head was Rs. 4,24,000. In 1918-19, it grew to Rs. 8,34,000. In 1921-22, it rose to Rs. 21,39,000. In the ensuing year, the figure budgeted for is the truly astonishing sum of Rs. 48,92,000, that is, about ten times in ten years. Now I am perfectly aware of what will be said by the other side, that we have just placed on the Statute Book a new Income Tax Act, and that the whole procedure has undergone revision. But with all that, when a new procedure is to be inaugurated, it should be all the more easy for the Departments concerned to start with an initial reduction of at least 5 per cent. I submit, Sir, that it is much easier to curtail an

expenditure under this head when the new Department is going to be reorganised than it would be in the case of an old and existing Department. I, therefore, submit that my motion that Demand No. 2 be reduced by at least 5 per cent. should meet with the acceptance of the House.

**The Honourable Sir Malcolm Hailey:** May I again ask, Sir, whether the Honourable Member is strictly in order in a motion of this nature? I am prepared, and my Honourable friends are prepared, to discuss definite items under each head, the amount of the reduction being indicated in order that we may know its exact amount. The motion as it stands, however, is in the nature of a Resolution, not a motion for reduction of each Demand.

**Mr. President:** Strictly speaking, the motion for reduction ought to be made under each head; but I understood that the Finance Member was prepared to discuss it.

**Dr. H. S. Gour:** I understood that that would facilitate the work and I therefore moved it in that general form. As a matter of strict procedure, I now move it under Demand No. 2, *viz.*, that that Demand be reduced by at least 5 per cent.

**Mr. President:** The original question was:

'That a sum not exceeding Rs. 44,80,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Taxes on Income'.'

Since which a motion has been moved:

'That the Demand be reduced by 5 per cent.'

**The Honourable Sir Malcolm Hailey:** We have here, Sir, substantially the same form of motion for reduction as we had in regard to Demand No. 1. I then tried to put before the House during our long and forcible discussion on the Customs Demand, what our objections were to an all-round motion of this nature. We claimed on our side that if retrenchment was to be effected, a more business-like way would be to allow the Retrenchment Committee to go into each case, making perhaps a reduction of more than 5 per cent. in some cases, and less in others, but at all events making reductions with discrimination after considering the heads of revenue-producing departments on the one hand, and of those that are merely administrative on the other. But that course of action did not recommend itself to the House.

In regard to this particular demand for a reduction in the expenditure on the collection of income-tax, I am in the same difficulty as my Honourable friend, Mr. Innes, in regard to his Customs demand; in greater difficulty, perhaps, in one respect: for we have lately, at the desire as I believe of the country, and certainly with the express assent of this Assembly, inaugurated a policy of organising a specialised Income-tax Department in order to secure a better system of collection, a better system of assessment, more expert, and consequently more just to the assessee. Every item that we have put forward for our new establishments has been placed before the Standing Finance Committee and accepted by them. I am consequently in difficulty to know what the House objects to in regard to the detailed items. I believed, and I hold with reason, that they desired that we should have a specialised Income-tax Department, and I cannot charge myself with having put before the Standing Finance Committee rates of pay for any class of employee for those departments which is in any way excessive. If we had done so, it is certain that the Standing Finance Committee would have been the first to object. Then, as regards the strength of these Departments, I again find it difficult to believe that the numbers which I have asked are in any way excessive. Had they been, again let me say, the Standing Finance Committee would certainly have objected. I think I am entitled to ask the support of those Members of the Standing Finance Committee—in whatever side they sit and in whatever block they sit—to the proposals which they passed such a short time ago. Now, Sir, I have to admit the charge of Dr. Gour that the expenditure has greatly increased, but not exactly to the extent that he puts forward, because, of course, what we are considering now is the expenditure falling on the Central Government (which now bears the whole cost of administration of this Department), whereas earlier figures quoted by him of course, omit the fact that a large part of the expenditure was originally paid by the Provincial Governments, which then shared the proceeds. But let that be, the fact remains that the expenditure has increased. But how am I to make an all-round reduction in face of the opinion of the Standing Finance Committee? That is my difficulty. I again put it to the House that the proper, reasonable and the businesslike course in this matter is to say to your Retrenchment Committee: 'We believe that 5 per cent. reduction can be made in the figures of civil expenditure all-round and we ask you to make it if possible.' Give them a mandate to the effect that at least that

reduction should be made if and where it is possible. But, again, I put it to the House that it is exceedingly difficult, in view of the history that I have given of this case, for me to say that I can make a five per cent reduction in the Income-tax Department. I won't say that it is physically impossible to make any reduction but I may justly put it to the House that I shall not be able to collect the revenue with the progressive facility and the same progressive justice to the assessee as I should if the full demand were granted. It is possible to make some reduction at the present moment because some of the departments are only just entering into their career and their staff largely consists of men obtained on deputation from the provinces. They can return to the provinces. But the result would be that I cannot promise that improvement in the income-tax administration which I had hoped to secure, and which the country at large undoubtedly demands.

**Sir Vithaldas D. Thackersey:** Sir, the difficulty pointed out by the Honourable the Finance Member, I admit, is a real one. At the same time what is the position of Members here who want retrenchment in the national expenditure. If the Honourable Member had suggested any way by which he would undertake to reduce the Demands by one crore of rupees or any other reasonable sum, I am quite sure this House would agree not to divide the reduction into different Departments and make a reduction of the amount agreed to at the end of the grants. The easiest way, as I said when I moved my first Resolution, was for the Government to come forward and say that they would effect a retrenchment, at least to the extent of a particular amount which would be deducted at the end of all the grants. We cannot propose it because it would be out of order to bring forward a general Resolution of that character. One remark more, Sir. With regard to the services of Railways, postal and other commercial undertakings, which we know cannot be reduced by 5 per cent. because coal must be bought, salt must be bought, postal subsidies must be given, all these items . . . .

**Mr. President:** The motion to reduce expenditure is in respect of income-tax by 5 per cent. I gave a certain latitude this morning because a question of principle was involved. Whenever these motions are moved, the discussion must be strictly limited to the Demand under which the reduction is moved.

**Sir Vithaldas D. Thackersey:** I will only say that this is the only way in which we can reduce expenditure. But if the Government can suggest any other way, we are prepared to accept it.

**Mr. J. Ramayya Pantulu** (Godavari *cum* Kistna: Non-Muhammadan) I beg to oppose the motion made by Dr. Gour, not because I think that no reduction is needed but because I think that the reduction that he has proposed does not go far enough and also because I think that the way he proposes to curtail the expenditure, as has been pointed out, is unbusinesslike. I have myself a motion on this subject which, if approved by this House—and I hope it will be approved by this House—will go very much further than Dr. Gour's motion in reducing the expenditure, and I shall elaborate my arguments on that point when I come to my amendment. If it is approved, it will really give us about 50 per cent. saving under this head.

**Mr. N. M. Joshi:** Sir, the Honourable the Finance Member has challenged the members of the Standing Finance Committee to speak on this Resolution. Sir, I am a member of the Standing Finance Committee and I have considered the proposals of the reorganisation of this Department very carefully. As regards the scale of pay proposed by Government, I completely approved of them. But, even during our discussion at the Standing Finance Committee, I did not approve of the number of officers that were proposed by the Government. I think the staff which they have proposed is excessive; at least Government should try for a year with a smaller staff and if they find, after an experience of a year, that the staff is not sufficient, they may come forward next year with proposals for additional staff. That was my proposal at the Standing Finance Committee, and I think that was a very reasonable proposal. I therefore believe, after having gone very carefully into this question, that a 5 per cent. reduction is not too much.

**Mr. R. A. Spence:** Sir, in view of what the last speaker has just said, I, who am in favour of retrenchment, would ask you not to accept this motion. He stated that he considered that the number of officials was on the large side and he suggested that the Government should knock out several of these members and, if at the end of year, they found that they had not been able to do the work, then they could put some more in. Now, gentlemen, as taxpayers, payers of income-tax, just think what that means. It means that a large sum of money is going to be lost to the Government of India,

probably going to remain in some of our pockets, because they have not enough income-tax officers to collect it from us. Is that retrenchment? I say let us have the staff which the Government of India consider necessary and, if it is found afterwards that that staff is too great, then retrenchment can take place. But in the case of income-tax where you are collecting money, any reduction in the staff will mean a reduction in income.

**Mr. N. M. Joshi:** The reduction will not mean that.

**Mr. R. A. Spence:** To my mind, it is the importers, merchants and exporters who are going to pay a great deal of extra money in consequence of the reduction made in the last vote, but, if this vote is passed, my opinion is that it will be the Government of India which is going to lose very heavily. We want retrenchment. For God's sake, Sir, I would ask this House not to pass any reduction on this service of income-tax. We all know that it is on account of lack of means that income-tax has in the past been lost to Government.

**Rao Bahadur T. Rangachariar:** Sir, as a member of the Standing Finance Committee, to which reference has been made by the Honourable the Finance Member, I have no hesitation in supporting the motion for an all-round reduction of 5 per cent. of the expenditure. I do so with the greatest pleasure in this Department in a year of financial stringency. It is the cost of improvement of the machinery which has swelled up the figures which Dr. Gour has mentioned in support of his motion. Therefore, this being a new expenditure which we are going to incur, I support this reduction. I quite agree that all the items of expenditure proposed would be beneficial in the end, but I quite disagree with Mr. Spence that we are going to suffer in the loss of income simply because we do not improve the machinery of collection.

The machinery for the collection of income-tax is far too perfect, in my opinion. (Laughter.) It is quite true that the object of the income-tax legislation and one of the main objects which weighed with me was to remove some of the weapons from the hands of the Executive Government, and I, therefore, welcomed the measure of separating income-tax officials from the ordinary executive officials of the district. It is one of those things which we all ought to aim at, namely, the separation of executive and judicial functions and the separation of executive and revenue functions. It is in that sense that we are aiming at perfection in the income-tax machinery. I, therefore, as a member of the Standing Finance Committee, had no hesitation in approving of the detailed proposals and of the pay fixed for the staff. The question is whether this should come in at once, should come in in the course of the year; could it not come in gradual stages? I would have welcomed the immediate introduction of the whole of that machinery if our finances were not in the pitiable condition in which we find them to-day. Therefore, I say it is not a case where you are going to interfere, as in the Customs Department, with an existing establishment. That, no doubt, was a stronger case, but this case is much weaker. I am quite surprised to hear Mr. Spence saying he thinks this is a stronger case than the Customs case.

**Mr. R. A. Spence:** No, I did not say that.

**Rao Bahadur T. Rangachariar:** The Customs case is a case where you have an established Department; the Income-tax case is a case where a Department is going to be established and, therefore, we can do so with an easy conscience on account of financial stringency. This 5 per cent. reduction which we suggest is not going to hurt the scheme; on the other hand, certain details can wait for the next year when our finances improve. I take it that Dr. Gour's motion is really not 5 per cent. of the Demand but 5 per cent. of the total expenditure. That is what we claim. If Dr. Gour's motion is 5 per cent. of the Demand, I am in agreement with Mr. Ramayya Pantulu that it errs on the side of being too little. If Dr. Gour will amend his motion or say what he means, then we will be able to support it; otherwise we will not.

**Dr. H. S. Gour:** I did mean 5 per cent. of the total expenditure, and that is what I imply by this motion.

**The Honourable Sir Malcolm Hailey:** May I have your permission, Sir, and the indulgence of the House to add three facts to this discussion? We have not asked for the introduction this year of our complete scheme; far from it. If the House will turn to what we have said on page 14, they will see that we have proposed to introduce part of the scheme only now. Take the case of Bengal—8 lakhs against 10½.

As to whether it is urgently necessary to introduce this establishment or not, may I give the House a fact in point. We have in Bombay—and I take pleasure in mentioning it after what Mr. Spence has said—three crores of rupees of arrears of uncollected income-tax, and we know that there are

some thousands of unassessed assessees. Now, a short time ago we wrote to Bombay, following on the sanction of the Standing Finance Committee, asking them to engage the necessary establishment to collect that three crores of arrears of income-tax. Three crores of arrear collections means this, that we are borrowing three crores to meet current expenditure and we are paying 5 or 6 per cent. interest on that. Very convenient to the assessees, no doubt, but not very good for the finances of the country.

As regards the general pitch of our proposals, may I say that the Madras Government propose an expenditure of some 4 crores more on their provincial staff than we are proposing on our central staff? And, may I add again, with reference to what Mr. Rangachariar has said, that in Madras itself we have never yet succeeded in collecting in any one year more than 75 per cent. of our Demands?

**Mr. N. M. Samarth:** May I inquire as to the three crores of arrears in Bombay, how much of that is due from traders who are practically bankrupt?

**The Honourable Sir Malcolm Hailey:** I cannot discriminate to that extent. I only know that there are three crores of arrears which we want to collect.

**Dr. H. S. Gour:** Do I take it, Sir, that the Honourable the Finance Member implies that the arrears not recovered in Bombay are due to insufficient staff and to that alone?

**The Honourable Sir Malcolm Hailey:** Most certainly: that is the definite fact.

**Rai Bahadur Bakshi Sohan Lal** (Jullundur Division: Non-Muhammadan): Sir, the machinery of collection through the agency of local officers, Tehsildars, Assistant Commissioners and Deputy Commissioners of the district, was much better and more efficient than the new agency of strangers who know nothing about the condition of the people. The local officers were fully acquainted with the incomes of the residents of their districts or tehsils. The new Department now created during the current year, which has at least doubled the expenditure, instead of being in a better position to assess in the sense of fair assessment, is in the majority of cases wrong, on the side of unfair assessment. In some cases the assessment is too excessive and in other cases it is too inadequate, and the arrears are due to excessive assessments rather than to the unwillingness of the assessees to pay. The traders very often, in order to maintain their credit in the market, do not consider it proper to disclose their liabilities which are in a majority of cases known to the local officers, and the strange officers assess them on their income without deductions of the amount of interest and losses which they have to pay, while absence on their part to produce a written declaration of income under the newly introduced system makes the person liable to be assessed at any amount which the collector of the tax may consider it necessary to assess. Petty traders who cannot afford to keep accountants and to have regular accounts and have to attend many indoor and outdoor engagements and social functions and have also to work in the shop as well as to go out, are very often handicapped to file any written declaration about their incomes; and, in any case, the person who knows all their circumstances is a better judge than an independent stranger who does not know anything about their financial conditions. From the statements it will appear that it is the new system which has just been introduced which has doubled the expenditure. In 1911-12 the whole expenditure was 4 lakhs; in 1912-13 it rose to 8 lakhs; in 1920-21 it rose to 11 lakhs; in the current year it was 28 lakhs, and now it is intended to be increased to 44 lakhs and 80 thousand. I may refer to one instance. A Deputy Commissioner of Income-tax under the new system told me that he was not in any way a better judge to assess persons than the old local agency of Deputy Commissioners and Assistant Commissioners. He admitted to me that he had to perform the duties, but, as a matter of fact, the whole newly created Department was useless. I respectfully submit that, instead of entrusting this work to a separate Department, it is much better to rely on the local officers, and I do not think the newly created officers are better qualified in any way or better able to collect the taxes than the local officers. I respectfully submit that in the present financial difficulties this new Department ought not to have been thrust upon the country, and, if it has been thrust upon the country, it can be postponed, because the officers who have been deputed belong to the old Provincial or Indian Civil Services and they can be reverted to their duties in the districts. With these few remarks I support the amendment moved.

**Mr. Darcy Lindsay** (Bengal: European): Sir, I rise with some diffidence to speak on this subject, as my pocket cries out in sympathy with my

Honourable friend, Mr. Rangachariar, in his view that the income-tax officials are sometimes oppressive and perhaps too attentive. But in the best interests of the country, Sir, and of the government of this country, I strongly support the increase that is proposed in expenditure on the collection of income-tax. It is a very well-known fact that in the past income-tax has not been collected as it should have been. The Honourable the Finance Member has unfortunately not quoted figures and I have not got those figures at hand, but from all one hears the income derived from income-tax during the past two years has vastly exceeded what the country has ever received before. And what is that due to, Sir?

**Mr. N. M. Joshi:** Increased rates.

**The Honourable Sir Malcolm Hailey:** No, no.

**Mr. Darcy Lindsay:** It is due, Sir, to the attempt to reorganise this establishment on a sound basis.

**Dr. H. S. Gour:** No, they are going to begin next year.

**Mr. Darcy Lindsay:** It has already begun. I notice that in Bombay the expenditure charge is very heavy, a charge heavier than in any other province. Perhaps they have not yet begun there. My point, Sir, is that, if you wish to collect full income-tax, you have got to pay your men adequate salaries. To my mind, it is one of those Departments where there can be leakage, and if you underpay your men that leakage may be appreciable. I, therefore, submit, Sir, that this House should submit to any expenditure that the Government of India consider necessary to collect this very valuable item of revenue—income-tax. (Hear, hear.)

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): Sir, I am afraid the proposal made by my Honourable friend, Bakshi Sohan Lal, is out of date. I do not think that the new Income-Tax Act, just recently passed, can go back to the old lines; but, Sir, there is one point to which I will confine my remarks, and that is in connection with the Presidency of Bombay.

There are two Commissioners provided for the Bombay Presidency, whereas, so far as I can see, there is only one Commissioner for any of the other provinces. I believe that the extra Commissioner provided for the Bombay Presidency is the gentleman for Sind, because we have recently got a Commissioner appointed for that province. Now, Sind, Sir, is only one-fifth or one-fourth of the Presidency of Bombay as a whole, and if one Commissioner can suffice for the collection of income-tax in the rest of the Presidency, that is, in three-fourths of the Presidency, I don't see why an independent highly paid officer on about Rs. 2,500 a month is necessary for a small province like Sind. The nature of the work which that officer has to do is only deciding a few hundreds of appeals in the large towns of Karachi, Hyderabad, Shikarpur and Sukkur. There has been a little complaint in the local Press about the work that he has been performing. At any rate, Sir, if a separate Commissioner for Sind is necessary, I do not see why such a highly-paid officer should be appointed in an exceptional year like this. We have got a very competent Collector of Income-tax in Karachi, and if he were given that post at a greatly reduced salary, I think he would do twice as well as the present gentleman is doing. Therefore, this item alone will bear considerable reduction.

**The Honourable Sir Malcolm Hailey:** It is not a new item.

**Mr. W. C. Renouf** (Punjab: Official): Sir, I should like to join issue with my Honourable friend, Rai Bahadur Bakshi Sohan Lal, when he says that the Deputy Commissioner and his revenue staff were an ideal income-tax assessing agency. In my own experience, the reverse was the case. The system gave satisfaction to the assessees, who had such excellent opportunities of evading assessment and enhancement, and I can understand its popularity. But the State was losing large sums every year.

I have in mind a special case when I was Deputy Commissioner at Rawalpindi, when an Extra Assistant Commissioner was deputed for some three months to re-assess Rawalpindi City. He was not an expert but he was able to give his whole attention to the income-tax question, and he doubled the assessment.

Sir, the new establishment now proposed will work on these lines, and I shall be surprised if it does not lead to a big increase in the Government of India income-tax receipts which now stand at about 22 crores. I expect to see that figure at something like 30 crores in the course of the next 4 or 5 years. In these circumstances, I think the proposed new establishment is justified, and that it should be introduced in its entirety.

**Mr. J. P. Cotelingam:** Sir, as a member of the Standing Finance Committee, I feel it my duty to raise my voice against the Resolutions for any decrease in respect of the Demand under Income tax. All the proposals that the Honourable the Finance Member made mention of were placed before the Standing Finance Committee, and, if I remember rightly, the members present agreed to the schemes proposed.

**Mr. N. M. Joshi:** I did not.

**Mr. J. P. Cotelingam:** The question of salaries of the Commissioners came in naturally for a good deal of discussion. Some members did not readily give their assent to the apparently large salary proposed for the Commissioners in the various provinces. Questions were also raised as to why there should be Assistant Commissioners appointed in addition to Commissioners. Satisfactory explanation was given by the Honourable the Finance Member. A number of new appointments had to be created as the Department was going to be reorganised and had large duties to undertake, seeing that in the various provinces, and notably in the Bombay Presidency, there were large arrears of income-tax due. As has been mentioned by the Honourable Sir Malcolm Hailey, we were given to understand that, if we had the full quota of officers recommended, we could reasonably expect this year a very large addition to our finances.

Again, Sir, in connection with the number of appointments to be made, it was pointed out at one of the meetings at which Mr. Sim, I believe, was present, that a number of graduates who have intimate knowledge of the vernaculars would be appointed to special posts and no objection was taken to such appointments by any members present, if I remember rightly. My own impression, Sir, . . . .

**Rao Bahadur T. Rangachariar:** I rise to a point of order. I thought it was an understood thing that Honourable Members ought not to refer to what happened in the Finance Committee, and if I am to hark back to my recollection of many of the things which have been mentioned I do not know whether I will be able to bear out all the Honourable Member says; and we will be dragged into a conflict of memories. I think, Sir, the matter arose once on a former occasion and I think you ruled, if I am not mistaken, that what happened in these Committees should not be mentioned. At this rate, I am afraid, we will be drawn into unnecessary details.

**Mr. President:** As Honourable Members are aware, the report of the proceedings of the Standing Finance Committee is circulated; and though it is not actually recorded in the reports of this House, still it has the character of a public document. The Standing Finance Committee is in some ways different from a Select Committee, the report of which is confined strictly to the conclusions arrived at.

**Dr. H. S. Gour:** May I ask, Sir, if the Honourable Member, Mr. Cotelingam, was referring to the published report or to his own recollection of what transpired in this Committee?

**Mr. J. P. Cotelingam:** In what I have said I have revealed no secrets which transpired in the Standing Finance Committee, I have not given expression to anything that was of a confidential nature. Let me proceed, Sir, and conclude. My own impression is that we shall, in the working of this Department during the forthcoming year, not only have perhaps a five per cent. reduction but a much larger reduction. It has been explained by the Honourable the Finance Member that the various Departments are being organised and it will be a long time perhaps before the full strength of the staffs in the various offices will be appointed: and I trust that Honourable Members will not stand in the way of the full Demand being granted under 'Taxes on Income'.

**Mr. J. F. Bryant:** I move, Sir, that the question be now put.

**Dr. Nand Lal:** I was not on the Finance Committee and, therefore, I cannot say anything about it. Members of the Finance Committee are, I may be allowed to say, going to take great advantage of their presence there; but I shall refer to two points. One is this, that the taxation is too much. Has there not been a general cry in this country that the Income-tax is already very very heavy and that the people cannot afford to pay it. They are paying because they are compelled to do so; they level very severe criticism against our conduct when we are going to pass each and everything against their wishes. This is a fact which is unchallengeable that the taxation is very heavy. The Government tells us that the increase in demand has been necessitated on account of a certain change which has been effected or which is, gradually, going to be brought about. Now, I ask the Honourable official Members whether it is a fit occasion to think of these innovations when we

are on the verge of bankruptcy. I must say that this change, this proposed alteration is not a right thing. Now, as to the merits of the alteration. The question whether the alteration is, economically, good or bad, can be discussed by making a reference to the elementary principles of arithmetic. The Deputy Commissioners and Collectors have been appointed to work, so far as the Income-tax Department is concerned, exclusively. The Government officials shall have to agree with my contention that they need not work throughout the year.

There are certain months in which the intending assessees are called upon to submit their returns in regard to their income, and on the receipt of those returns the Collectors usually examine them and assess. The whole work takes only a few months—not more than four months at the utmost. (*The Honourable Sir Malcolm Hailey* : 'No, no'.) For this work, which can be transacted and which, barring a few complaints, was being done ably before, we are going to pay for the whole year. (*The Honourable Sir Malcolm Hailey* : 'No, no.') Therefore, on the simple principle of arithmetic, this seems to be hardly right. No economic principle will support this change on the part of the Government which come forward with so heavy a demand. Some time before I submitted, in regard to a previous amendment, that expediency should be given preference. If the demands which have been asked for, if the alterations which have been effected or which are desired to be effected, are of greater convenience to the public, the public – I mean to say the people of this country – may feel constrained to consider them and pay for them. But we find that no improvement is effected so far as the treatment of the subordinate service is concerned. I daresay the present change has brought about a litttle wholesome result, so far as the selection of the Commissioners, Deputy Commissioners, and some of the Collectors is concerned. I must concede that aspect of the question in favour of the Government, because I must be fair and just in my remarks. But, in the case of the subordinate establishment, the trouble is the same as it used to be. Sir, you will be surprised to hear that they look upon themselves as masters and not public servants. Big Sowcars and millionaires send their servants or mukhtars, when they are summoned to produce their accounts. Do you know the system by which they examine the accounts? Supposing an auditor or examiner chooses to go through these accounts. He will not fix a sufficient number of days so that people may not be put to inconvenience. But he will, as I am told, issue Summons to a large number of people, saying, 'Come on, bring your accounts and registers.' The registers are brought. The big merchants, the rich men who are busy people, will send their Maniyams, and servants and Mukhtars with the registers. You will be surprised to hear, Sir, that only a few of the registers will be examined and the other people will go disappointed. Now, Sir, can you entertain an idea of the opinion which they form on that occasion and after this sort of treatment? They say: 'Oh, there is nobody to think of our convenience.' Nick names are given by them to the Government. We, the representatives of the people, who know about the feeling of the public, cannot tolerate this sort of thing. We cannot allow this demand in the presence of such sort of treatment. On the top of it they do not look upon themselves as public servants, they forget to realise that they are in the pay of the Indian Exchequer and consequently are servants of the people. They think that they are masters. Some of them think like rude masters. Therefore, the demand which has been asked for does not deserve our sympathy, and I am in full accord with the amendment, and support the retrenchment. With these remarks, I vote for the amendment which has been moved.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I should just like to say one or two words upon this motion for the cutting off of five per cent. from the estimates generally.

While I am in sympathy with the policy which has dictated this series of amendments to cut five per cent. from the estimates as a measure of prudence in attacking the Budget, I do not think that the demands under the head of Income-tax are an appropriate subject for attack on this ground. (Hear, hear.) The Income-tax Department is one of our most productive departments and occupies a very peculiar position. Till now, the income-tax was being collected by officers of the provincial Governments not wholly occupied in the collection of income-tax but having other duties to discharge. It is only after the separation of the provincial and central revenues and the introduction of these Reforms that it has become necessary to imperialise the Income-tax Department altogether and to entrust the collection of the income-tax to full-time officials under the control of the Central Government. That is a process of reorganisation which seems to me to be absolutely necessary in the interests of the completion of the separation of the Central and Provincial finances. In that view, it seems to me desirable and necessary that we should

accede to this demand under this head, making up, if necessary, by cutting a little more than five per cent. under some other head, as for instance the General Administration.

**Bhai Man Singh** (East Punjab : Sikh) : Sir, I rise to support the amendment now before the House. This is a new Department which we are now creating. When we ask, 'Why are such and such Departments over-manned, what is the use of keeping so highly-paid officials?' we are met with the stereotyped argument, 'Look here. What are we to do with our old staff? Are we to dismiss them?'. I do not remember the exact words, but if I mistake not, my Honourable friend, Mr. Innes, while replying during the Customs debate said something to this effect: 'What are we to do with the old men who are already in the Department on greater pay, who are drawing fixed salaries; are we to dismiss them, etc.?' Now, I submit that this is a new Department and ought not to be fossilised on the same old lines. I said in my Budget speech that there must come a turning point, and when we are creating a new Department I would beg the Honourable Members of this House most earnestly to take a turning point and not submit to a demand made on the same grade of high salaries as we have been submitting to hitherto. Let us not be carried away by the sentimental argument, 'Oh, it is a paying concern. Let us not touch it'. It is quite all right. Every business firm is a paying concern, but it never stops to think whether it can manage its affairs more economically or not. I should like to draw the attention of the Honourable Members to one little fact. Supposing we just have Commissioners who are a little less paid, and similarly we have Deputy Commissioners who are a little less paid, how much can we make? If in the Central Board we have a Commissioner who is paid only Rs. 2,500 a month, similarly Commissioners in the provinces drawing salaries not more than Rs. 2,000 a month and Deputy Commissioners drawing salaries not more than Rs. 1,500 a month, I submit that, even if we calculate on that basis, we can have a reduction of about Rs. 95,000, that is about a lakh.

I submit, Sir, it would be very well to argue, 'Look here. We want efficient men to manage the work'. But I would like to know, Sir, where is the necessity of always having Indian Civil Service men who belong to a Covenanted Service and whose pay goes on increasing. I hope my remarks will not be taken in any other spirit than they are really meant. My object is simply economy, and if we can get good and efficient men on less pay, there is no reason why we should not adopt that scale. I for myself, excuse me, cannot understand why, even if we have to select Indian Civil Service men, we cannot select men below a certain grade of pay. Again, Sir, at least in the Punjab, I find that a good many of these officers have been taken from the Provincial Service and they are paid on the average Rs. 100 more than what they were drawing as Extra Assistant Commissioners in the province. I have no quarrel with that, but I would say that if we draw these men from these services we should only get those men whom we can pay at a lower standard. There is no argument in saying that we should always put the highly-paid men in this Department. I want to say one thing more. I should like to know what are the special qualifications on the basis of which we select a senior man from a particular service or a junior man from another. Again, Sir, this is a Department which has to deal mostly with business men. I really fail to see what are the special qualifications of these men who are drawn from the Provincial or the Imperial Services. What special qualifications have they got to deal with the Income-tax Department? Most of them are very often ignorant of the methods of business men, how they keep their accounts and how they work. A good many of them have to take the help of low-paid clerks and munims who alone know how the accounts are kept and they have to depend on these men. That is the cause of the difficulties pointed out by my friend, Dr. Nand Lal. These business men are subjected to a lot of troubles. They have to go to these officers, wait for days together just as they would do in a judicial case, where witnesses are sent away frequently and asked to appear a number of times. This is, however, not so much to the point. As the House will understand, if we allow this Department to grow on the old scales, we shall be faced with a tradition of highly-paid officers. Take men from the Imperial Service. Take men from the Provincial Service, or take men from the outside. I would preferably say: 'Take as many men from outside as you can specially from commercial and banking circles', because these men work in commercial firms and they know where the weakness of the accounts lies, whether the profits shown are more or less and what has been the state of trade in a certain year. This would be another extra advantage, by taking other people, but we should always make it a point to see that we do not employ so highly-paid officers as we are doing now, as provided for in our present Budget. It has been argued, Sir, that the Department is not over-manned. If I can depend on my observation about the working of this newly created Department in the Punjab, I

would say that the Provincial Service men who have been taken from the Provincial Service to the Income-tax Department have not got at the most two-thirds of the amount of work to do in this Department as they had to do in the other Department from where they were taken. I speak from my personal knowledge of this matter; of course, it may be said that it is limited to a certain circle. This being the case, why should we not adopt this motion which has been put forward before us by Dr. Gour? It has been said by our Honourable friend, Sir Malcolm Hailey, that there are lots of arrears lying in the different Presidency towns, Bombay or Madras, but that was under the old system, and no simile from the old system can be exactly applicable to the new system.

**The Honourable Sir Malcolm Hailey:** Under the present system.

**Bhai Man Singh:** A word about what my Honourable friend, Mr. Pantulu, said. If I heard him aright, my Honourable friend said that, according to his views, there is a much larger scope for retrenchment than has been asked for by Dr. Gour. I say that it is open for him to fight for the larger retrenchment when that time comes, but, of course, when we adopt a smaller retrenchment, this, according to the rules of procedure, does not bar your adopting another motion for a larger retrenchment. So he should not be afraid of voting in favour of Dr. Gour's amendment, and there is no chance that his amendment will not be discussed or taken up by the House. (*Voices*: 'I move, Sir, that the question be put.')

**Mr. President:** The question is:

'That the demand under head 'Taxes on Income' be reduced by five per cent.'

The Assembly then divided as follows:

AYES—49.

Abdul Majid, Shaikh.
Abdul Rahaman, Munshi.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Das, Babu B. S.
Das, Pandit R. K.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Yamin Khan, Mr. M.

NOES—47.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Abul Kasem, Maulvi.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingham, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
McCarthy, Mr. F.
Mitter, Mr. K. N.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was adopted.

**Rao Bahadur T. Rangachariar:** Sir, I move:

'That the provision of Rs. 10,000 for contingent charges, Board of Inland Revenue, be reduced by Rs. 5,000.'

This motion is made to elicit information. This is a new Department which is now created, and I notice, Sir, that the two fat appointments are made non-votable, whereas minor appointments are to be under the votable head. One point on which I wish to elicit information is whether further fat appointments in this Department are going to be made non-votable. The other point is . . . .

Contingent charges, Board of Inland Revenue.

**The Honourable Sir Malcolm Hailey :** May I ask the Honourable Member what the two fat appointments to which he so choicely refers are ?

**Rao Bahadur T. Rangachariar :** I made a mistake, I am sorry. I beg your pardon. It is one appointment. Have the Government made up their minds as to what the future constitution of this Board of Inland Revenue is going to be ? The Honourable the Finance Member, I remember, stated that for the present he is going to have only one member. But, if it is going to be a future constitution of two or more members, I should like to have information as to what that constitution is going to be, whether Indians are going to be associated in that Board and what the salaries proposed are likely to be.

Then, for a new Department like this, on the substance of this motion itself, it strikes me that Rs. 10,000 for contingent charges for a small establishment like this (one officer Rs. 47,500, and the assistants and servants costing Rs. 14,200, Travelling Allowances Rs. 8,000), why should the contingent charges be so high as this ? As to the total, I am not able to understand. These are the two matters which I beg to place before the House by means of this motion.

**The Honourable Sir Malcolm Hailey:** As regards the point of information, the House I think knows the history of the case ; it knows the steps by which we arrived at calling our new institution a Board of Inland Revenue. That was not our own original proposal. We proposed simply to have one head Commissioner of Income-tax, but in the course of discussions in Select Committee it was thought that it would be better to constitute a Board of Inland Revenue. Our intention remains exactly the same. As far as I can see at present, there will be only one member of that Board ; I certainly have myself no intention of proposing a second member. I cannot guarantee the distant future, but I am quite sure that any future provision that it is desired to make will be proposed after due consideration of the feelings of the House on the subject. I need not, therefore, perhaps, go further into that point. In some years one member will be sufficient ; in fact, I do not think the number is likely to be increased until the commercial community itself demands that it should be done.

So much for the point of information, which I hope is satisfactory to my Honourable friend.

With regard to the point of substance, I confess that we have no accurate estimate by which we have arrived at Rs. 10,000. It is a new office, though only but a small one, but a certain amount of office furniture is required. For my own part it is really immaterial I think whether that stands at Rs. 10,000 or Rs. 5,000. We are prepared to pay the minimum that may be found necessary.

The motion was negatived.

**Rai G. C. Nag Bahadur** (Surma Valley *cum* Shillong : Non-Muhammadan) : Sir, I beg to move :

'That the provision of Rs. 12,600 for one Special Income-tax Officer, Madras, be omitted.

There are altogether five amendments in my name under this Demand, and they all proceed on the same lines. I shall, in a few words, explain my reasons for moving them.

Special Income-tax Officer, Madras.

If the Honourable Members will turn to page 296 of the Demands for Grants, they will find there mentioned the total expected receipts of the Central Government, as well as the estimated receipts of the various provinces shewn separately. The total expected receipts are Rs. 22,11,39,000. If you will turn to page 8, you will find the total Demand to be Rs. 47,55,000, which means that the cost of collection bears a proportion of 2·1 per cent. to the revenue. This is the all-India average. The cost of collection incurred by Government may appear at first sight to be extraordinarily low. But if we take into consideration the fact that a very large portion of the Income-tax is realised automatically out of Salaries, Pensions, Commissions, Interests on Bank Deposits, dividends, and so forth, without the intervention of the Income-tax Collector, we shall find that the Income-tax Department is not worked so economically as would appear at first sight.

Now, if you compare this all-India average with the Demands for Grants for the various provinces, you will find that this average is exceeded by Madras which wants 3·7, by the United Provinces which wants 4·7, by the Punjab which wants 7·9, by Bihar and Orissa which wants 4·1, by the Central Provinces which wants 5·9. The expenditure of Assam on its Income-tax establishment is the correct of all, being less than 1 per cent. on its receipts. Next come Bengal and Bombay with a little over 1 per cent. In the remaining five provinces, the expenditure varies from 3·7 per cent. in Madras to 7·9 per cent. in the Punjab. I think the House is entitled to get some explanation from the Finance Member as to the causes of this striking variation from province to province and as to why in every one of these cases the all-India average, 2·1, has been exceeded.

Now, I shall deal with my amendment. The revised estimate of Madras for the current year is Rs. 4,40,000 which bears a proportion of 2·1 per cent. on the receipts. For the ensuing year, the Demand for Grant is 8 lakhs, which means an increase of 81 per cent. on the current year's expenditure, but the increase in receipts was no more than about 36 per cent. No explanation is available why there should be an increase of expenditure to the extent of 3,60,000 or even less, especially in a year of deficit like the present.

Now, with regard to the particular item, one Special Income-tax Officer on Rs. 1,000 rising to Rs. 1,250, the Honourable Members will see that he is an old officer on the Income-tax staff of Madras. The Government are going to reorganise the Department and are budgeting for one Commissioner on Rs. 3,000 a month and a large staff of subordinate officers, such as Deputy Commissioners, Assistant Commissioners and so forth, at varying rates from Rs. 1,500 to Rs. 240, keeping the old Special Income-tax Officers on Rs. 1,000 to Rs. 1,250 as before. Now, my point is that, when you are going to reorganise the Department with such a superior officer as a Commissioner at its head, the retention of the old Special Income-tax Officer is untenable. It is stated, in the explanatory note given at the end of the Chapter, that the new schemes now being introduced in the provinces have been approved by the Finance Committee. If so, I fail to understand the principle on which that Committee should have accorded their approval to schemes which, as I have shown, lay down scales of expenditure in the various provinces varying from less than 1 per cent. on the receipts as in the case of Assam to nearly 8 per cent. in the Punjab. In any case, I have yet to know that, although they might have approved of a particular scheme for Madras, they approved of the vast increase of expenditure from Rs. 4,40,000 in the current year to nearly its double in the ensuing year. There is, however, nothing to show that, while they approved of the introduction of a new scheme, they approved likewise of the retention of the old high salaried Special Income-tax Officer. In any case, the retention of this officer seems quite untenable. I may tell the House that in Bengal and Assam the work of assessment and of hearing objections is done almost entirely by Deputy Collectors. Even in the city of Calcutta, the Collector of Income-tax used to be a Deputy Collector. No one has been found to say that Income-tax work in these provinces was not done properly and well by this class of officers. In place of them you are going to create posts of Commissioners on Rs. 3,000 and of Deputy Commissioners on Rs. 1,500 to 1,800. But if you are going to create such high posts, why should you not be able to manage each province with one such high-salaried officer at the top, assisted by the class of officers of the rank of Deputy Collectors. It is true that for hearing appeals you require a superior staff, but for this purpose one superior officer, exclusively for this work, for provinces such as Madras, Punjab, United Provinces, Bihar and Orissa and the Central Provinces, should be enough. I strongly object to the creation of too many fat berths in each province for this work. Then, again, if you will turn to page 14, you will find it stated in the Explanatory Note that for Madras there is a scheme for introducing a new staff of officers with one Commissioner on Rs. 2,000 to Rs. 2,500, the first incumbent being, however, given Rs. 3,000 a month. I have not been able to understand the meaning of 'however' here. The Finance Member will, no doubt, enlighten the House why the present incumbent should get Rs. 500 more than the maximum proposed in the new scheme.

Did the Standing Finance Committee also approve of the increased pay to the present incumbent? I doubt this very much. If the present incumbent was an old officer drawing already Rs. 3,000, surely a place for him could have been found elsewhere where the same post carried an initial pay of Rs. 3,000. As this is now an all-India Service, there should be no difficulty about it. In any case, the amendment is a very modest one, and I commend it to the acceptance of this House.

**The Honourable Sir Malcolm Hailey:** I said that it would be possible to make some reductions in this Department if we were prepared to give up the improved efficiency to which we had otherwise looked. I am afraid that my Honourable friend, however, has hit on one of the cases in which it would be exceedingly difficult to make a definite reduction. I will give my reasons to the House. My Honourable friend has covered so very wide a range in the course of the discussion that I am not at all sure that the House will remember exactly what his objection was to this particular officer. He said that there was no reason whatever for maintaining an officer on this high rate of pay as a Special Income-tax Officer in Madras when we were reorganising the establishment with a view to introducing a regular scale of pay throughout. Well, Sir, this is an officer who has been employed there for some time. We have retained him for the purpose of bringing him on to the new scale which you will see on page 14 of the Demands for Grants, where you will find provision made for Assistant Commissioners on Rs. 1,000 rising to Rs. 1,500. We cannot immediately dispense with him nor indeed do we desire to dispense so experienced an officer and we intend to bring him on to the scale of pay of an Assistant Commissioner. Consequently, the criticism of the Honourable Member, if it still has any force, becomes a criticism directed not against this officer but against the new scale of pay which we intend to introduce for the Department in Madras. Now, I will trouble the House for a few moments, because it will enable me to clear up a good many points which were raised in the course of the previous discussion, to which I did not then find time to allude, as also to some of the points now alluded to by my Honourable friend. We do not intend to bring into this Department a large number of Indian Civil Service officers on a high rate of pay. On page 14 you will find what we consider to be a reasonable rate of pay, and I think that my friends in the Standing Finance Committee did not differ amongst each other on this point at all events, that that was a suitable rate of pay for a self-contained and largely Indianised Department. But, Sir, you cannot create a Department forthwith and outright. We have placed a Commissioner in charge who happens to be an Indian Civil Service officer, because there was no one else in the province with an equal experience of income-tax work who could be trusted to organise the new Department. This is also the case in some other provinces where we have placed an Indian Civil Service officer in charge, but, as soon as we can get officers from within the Department itself (who will not of course belong to the Indian Civil Service) we shall of course do so. The present is a purely temporary arrangement.

Now, why does Madras, according to my Honourable friend, cost more for establishment than elsewhere and why is there this difference in the cost of establishment as between various provinces, some showing, I will take his own figures, an expenditure of 3 per cent. for collection, others showing an expenditure of 7 per cent. for collection. The difference consists, of course, entirely in the nature of the work in the different provinces. Where you have large presidency towns and very few rural assessees, a small expert establishment, dealing mostly with Companies, large assessees and the like, can recover a large sum at a comparatively low cost. Where, on the other hand, you have a very large number of rural assessees, your establishment must, by the mere force of circumstances, be larger, and, on the whole, its returns smaller. That in itself accounts sufficiently for the difference between the provinces. As for my Honourable friend's assertion that the old Deputy Collectors whom we had in charge of the income-tax work were perfectly satisfactory, I have heard enough in this House this year and last year to know that the House itself agrees that this is not the case. Well, Sir, the only definite point before the House is this, whether we should reduce this particular officer. As I have said, he is already in employment. He fits or will fit in when the time comes into the new scale we have proposed. I maintain that that scale is not in itself excessive and that, therefore, there is nothing to be gained by attempting to get rid of the appointment.

**Mr. R. A. Spence:** Sir, may I rise for a point of information? I see on page 296 that poor Bombay pays in income-tax Rs. 4,85,00,000 compared with which rich Bengal pays Rs. 3,80,00,000. On page 10 I find that Bombay is paying 3 lakhs more for collecting the income-tax. Is there any cause and effect here? And the Presidency which has got the bigger establishment and which pays more for establishment, collects more income-tax?

**Mr. President:** The Honourable Member's question concerns Bombay and Bengal, while this amendment relates solely to Madras.

**Rao Bahadur T. Rangachariar:** Sir, I am afraid Mr. Nag has not appreciated the real position in Madras in relation to this matter. It is really not a new appointment at all. The practice hitherto has been for the Revenue Department, for the ordinary Revenue Department, to undertake the collection and assessment of income-tax. The Special Income-tax

Officer deals with cases in the city of Madras. The Collector of Madras is the revenue officer for the whole city. He was the supervising officer. He dealt with cases, I believe, of Rs. 50,000 and upwards. Assessees of Rs. 10,000 and upwards used to be dealt with by the Special Income-tax Officer. I remember there was a lot of complaint of the way in which income-tax cases were disposed of by the Collector in Madras when he had not the assistance of the Income-tax Officer. The Collector had too much work to do in his other capacities and the Deputy Collector used to deal in those days only with cases of Rs. 10,000 income, and all cases above Rs. 10,000 used to go up to the Collector. In this way he had to deal with too many cases, specially cases of Marwaris and Gujeratis who form the greater portion of assessees in Madras. They keep their accounts in a manner which requires close investigation. My friend, Mr. Narayan Das, brought forward a motion in this House, it will be remembered, about the rule imposed by the Madras Government that the assessees should produce their own translations of their account books, and they were put to a great deal of trouble. In order to facilitate the work of assessment and the disposal of income-tax cases, this Special Income-tax Officer was created, and I know that as a matter of fact he has been of great use in the administration of income-tax. (Hear, hear.) I, therefore, think that the pruning knife need not be applied to this case. There are other appointments in which it can be more effectively employed; but, speaking from a knowledge of Madras and the change which is going to be carried out there in separating income-tax cases from the ordinary executive work, I expect a great deal of improvement there. One of the causes which has helped the non-co-operation movement in my province is the way in which income-tax cases are disposed of, and I have had occasion to mention such cases in this Assembly. I therefore expect a great deal of improvement, and in the meanwhile I do not think that Madras is overburdened in this matter.

The motion was negatived.

**Dr. Nand Lal:** Sir, the amendment which I propose to move runs as follows:

'That the demand of Rs. 4,92,000 under the sub-head 'Punjab' be reduced by Rs. 2,61,000.'

Sub-head 'Punjab'.

Sir, there is a very great increase in the Demand for the year 1922-23 as compared with the last year. I have been looking for the explanation in support of that increase, but I confess my inability that I could not find it in the printed Demand though I find general remarks given in the form of Explanation 2 that this increase is due to the new scheme which is introduced and which will gradually be introduced. The word 'gradual' is pregnant with very great alarm and fear; namely, the Demand which is now made is not considered to be enough; it is just probable that next year there may be even greater Demand. Therefore, it is proper that the question of this Demand should be scrutinised and examined with reference to its various aspects; and I shall confine my remarks to this specific item relating to the Punjab. Why so much increase? The only explanation which has been tendered in general form has already been adverted to by my humble self and I submit that that explanation is not sufficient. Why was this change brought about in this poor province (*viz.*, the Punjab)? Perhaps the answer which the Honourable Sir Malcolm Hailey will advance would be—'because it is a Central subject and the alteration which has been suggested and recommended should be general, obtaining in the whole of British India, and therefore the Punjab is included'. That is the only conceivable explanation which can be asserted. In reply to that, my submission would be that there is no moral or real support for the change which has brought about this considerable increase in the Demand. So far as the Punjab is concerned—though I am subject to correction and Sir Malcolm Hailey will correct me if I am wrong—I believe one Commissioner and two Deputy Commissioners and a number of Collectors have been appointed, and they are asked to apply themselves exclusively to the collection of income-tax. The ground on which this scheme has been propounded and eventually accepted is that there may be some sort of promptitude and expedition in the way of collection. I may very respectfully point out to the Honourable Sir Malcolm Hailey that, so far as the question of collection is concerned, I mean to say, so far as the proposition relating to the arrears is concerned, this argument will not hold good in respect of the Punjab.

There are some arrears but not so much as are found in other provinces. But the question of arrears is not sufficient to throw so heavy an expenditure on the head of the tax-payer, who are already overburdened. I have already remarked that these two Deputy Commissioners, one Commissioner, and some Collectors, so far as my present information

goes, will remain busy for a period of four months. For eight months they will perhaps keep ruminating over what they have done or they may keep thinking of what they are going to do, or they may perhaps sometimes sleep in deep contemplation. But, so far as the hard work is concerned, so far as the real business is concerned, I am quite prepared to say before this House that they will not have enough to do in any case. Therefore, 8 months out of 12 months will practically be idled away. And at whose cost? At the cost of the pocket of the poor tax-payers. These Deputy Commissioners and Commissioner will go from one district to another and they will report that they have seen this village and that village, and that they have made this inquiry about this sahukar or that, or about this contractor or that. They will write this diary and submit it to the Commissioner. I do not know to whom the Commissioner will submit his diaries. I very seriously suggest before this House that this is not the way in which the public money should be spent. These public servants will get idle. They should be called upon to work according to the remuneration which they get, and I am afraid that if this principle is not applied, then it will have to be admitted that the Government is not taking the best for the price which Government is paying. Therefore, economically, these alterations seem to be hardly sound and right. Therefore, I stand here to question their advisability and propriety. We may speak to our people, 'All right, pay because this is an exclusive Department. This is a separate Department. On account of the undue influence of the Executive, you will not easily promise or feel inclined to pay. Here you have got a separate Department—a separate Commissioner, and separate Deputy Commissioners and Collectors. They have nothing to do with the other affairs. You need not feel afraid of them. You will not be arrested if you speak to the Collector and say 'You are wrong in taxing me like this'.' In old days, the Deputy Commissioners were also Income-tax Collectors in charge of the Income-tax Departments of various districts, and if an intending assessee, who was called upon to pay, said, 'Sir, you are wrong', perhaps he may incur the displeasure of that Deputy Commissioner. That is the only redeeming feature or ground that can be advanced. Therefore, on that score, we can speak to our people perhaps with some justification and say, 'Look, you have been relieved of that scare or fear. Are you not prepared to pay for that? You will have a little more peace of mind. Now that there is a separate Department, you will not be coerced. You will not be troubled. Therefore, pay a little more for it.' The reply, Sir, which will be given by our people would be, 'No. We have not got desired peace of mind at all. We are not treated properly.' The millionaires, the big merchants, contractors, barristers and other people who pay a heavy income-tax would say: 'No, you are wrong altogether. You are not our proper representative. You do not study our case and our grievances. Our grievances are that, if we send our people with our accounts to be examined, the auditors, examiners and the subordinate clerks do not treat them properly. They think they cannot examine so many registers yet they call for all. They think that the merchants, contractors, and other businessmen have no value for their time. They should be polite, every public servant ought to be polite, because he has given a covenant to the Government that he will be polite. They won't listen to these virtues at all. It is a sin for a public servant of that type to be polite and to politely treat the assessees who are, as a matter of fact, the paying masters in the right spirit. If the servant or mukhtar or agent or the munib of the intending assessee is a straightforward man, then that will be considered a fault and he will be punished. Perhaps he may not be punished by the taxing officer. He may be punished by his own employer, the master, whose munib he is, because that master is sure to get displeased with him, saying 'You ought to have pocketted this insult. You ought not to have given this officer, or this auditor, or this head clerk, or this examiner, an answer like that, and that is why I am punished.' Naturally these auditors and examiners will speak to the Collectors, "This munib, this agent, has done so and so,' and that Collector will assess at once without waiting any longer. This sort of treatment is meted out to the public, and, therefore, our people do tell us, 'Do not agree to give demands like that.' If the Government servants improved themselves, and really behaved like true public servants, certainly the people might say: 'We are quite prepared to make this sacrifice. Give us an undertaking that their treatment will be better than before and that the Government servants will be in a better mood than before and that our books will not be thrown away, kicked away as before'. But, if there is no change for the better at all, I have to hear the voice of the people and to request that my amendment may be accepted. Neither on the score of convenience nor on the ground of economy is this Demand, which has been asked for, acceptable, and, therefore, I submit that the reduction which I have proposed may be accepted. Unless and until the Honourable Sir Malcolm Hailey

gives us an undertaking that he will see that all sorts of grievances are removed, till that is done, I shall have to press this amendment for the acceptance of the House.

**Mr. Darcy Lindsay :** Sir, It is a little difficult to understand our position with regard to this Demand No. 2. My Honourable friend, Dr. Gour, has applied his axe and imposed a reduction of five per cent. throughout on the Demand. If this five per cent. to be in addition to the various reductions, such as are now proposed by my Honourable friend, Dr. Nand Lal, and Rs. 27,50,000 standing in the name of my Honourable friend, Mr. Pantulu, also another reduction of Rs. 15,00,000 standing in the name of Mr. Shahani,—is this five per cent. in addition or not ? I had great hopes that, when the Gour guillotine had been applied, we were going to be saved a considerable amount of time and that there would have been a general withdrawal of all these further motions, but, if that is not to be, then I am afraid we shall be sitting until the middle of the year. Now, as regards my Honourable friend, Dr. Nand Lal's complaint about the officers in Punjab being idle for 8 months in the year. I am glad he realises that, during that time of so-called idleness, they keep their eyes and ears open and are taking notes of the profits made by the different firms and individuals. I therefore cannot exactly follow him in his argument that they are idle. He also complains of the very high salaries which he thinks they are paid. Would Dr. Nand Lal prefer that they should be paid on a percentage basis ? I recommend that suggestion to my Honourable friend, the Finance Member, if this House grumbles at heavy expenditure on the Income-tax Department. The Income-tax Department has been referred to as a great source of revenue to Government, as it undoubtedly is. Let that revenue be obtained on a commission basis and then this House need not trouble their head about over-paid officers or over-staffed offices. Each lucky individual who obtains a permit to recover income-tax on a commission basis will organise his own office and pay for it out of the commission. I commend this view to my Honourable friend, the Finance Member.

The motion was negatived.

**Mr. J. Ramayya Pantulu :** I move, Sir :

' That the demand under the head ' Taxes on Income ' be reduced by Rs. 19,24,000.'

Taxes on Income.

Since sending up my original motion for a reduction by Rs. 27,50,000, I have made a more careful calculation of the amount that I should propose for reduction and have arrived at this modest figure. If the Honourable Members will turn to page 14 of the ' Demands for Grants ' book, they will find that in the amount of expenditure provided in the Budget for the next year, the amount shown over and above that of the current year is due to the establishment which is to be entertained for the new Income-tax Department. My calculation shows that, after making a deduction of the amount shown under the non-votable items, the net increase under votable item comes to Rs. 19,24,000. My ground for proposing the reduction of this amount is that the entertainment of the new establishment is not at all a matter of urgency now. A good deal of what I have to say on this subject has been already anticipated by previous speakers. But I wish to say one or two things. As Honourable Members are aware, hitherto the income-tax work has been all done, and even now it is to a great extent being done, by what is called the land revenue establishments. The new Income-tax Act makes provision for the entertainment of a separate Income-tax Department, on the ground that income-tax is now an item of Central revenue while the Land Revenue Department belongs to the provinces.

I remember, Sir, how this provision of the Act was hailed when the Income-tax Bill was introduced into this Council during the Simla Session. If I remember correctly, the idea then was, in certain parts of the Assembly, that, after all, there is relief from the exactions, from the iniquities of the Land Revenue Department which has been oppressing the people in one way or another, and it was thought, Sir, that the new Income-tax establishment would effect a great relief to the people. It seems to me, Sir, that the Land Revenue Department has no special claim for being oppressive; whatever unpopularity it has gained, it has gained on account of the duties which it has had to perform in the way of tax-gathering. Tax-gathering has never been a popular function, and I am not sure, Sir, that the new income-tax gatherer is going to be, after all, such an angel as some people expect him to be. I quite admit, Sir, that, now that income-tax is an item of Central revenue, it will be necessary for the Government of India to make a special provision for the assessment and collection of income-tax on its own account. But what I submit is that, seeing that our finances are now in a very crippled state, we might perhaps go on for

a little time longer, *i.e.*, until our finances show some improvement, with the existing arrangements which will at once save us lots of money, several lakhs of rupees if not the whole sum of Rs. 19,24,000. Some of the Commercial Members here have pointed out that the entertainment of a special establishment for income-tax has resulted in enhanced assessments. But that is so because the new Department which is proposed is not very likely to be the great friend of the people as some people expect it to be. But whatever that may be, there may be, Sir, very good reasons for having a special establishment immediately in big commercial cities like Bombay, Calcutta, Karachi or even in Madras, but I think, so far as the Mofussil is concerned, the present provincial Land Revenue establishments can be trusted to do the work quite as efficiently as the new establishment. I have some experience, Sir, of the way in which this income-tax work is being done in the Mofussil, and I do not think that anyone can contend that the Land Revenue officers do not do their best to increase the income-tax revenue of Government. With them, it is not always a case of what is the proper tax to be imposed on a particular individual. It is often a case of how much he can pay, and more often it is a case of how much is expected from a Taluk or Division, and then distributing it amongst the different assessees with as much justice as one can well command.

I have myself been an Income-tax Officer. Of course, I have never myself been guilty of that iniquitous way of making assessments ; and I am sure that my Honourable friend, Mr. Bryant, has never done it either. But I am not sure that it has not been adopted sometimes. I once had the misfortune of succeeding a very jealous income-tax officer in a revenue division in the Guntur District which has recently come into some prominence. In that division there is a taluk called the Palnad taluk, which is at present giving Government so much trouble in the matter of collecting taxes. That taluk is noted for cotton cultivation : almost every ryot cultivates cotton ; and that predecessor of mine, Sir, assessed, every ryot to income-tax on account of income from cotton trade. He supported these assessments by notes made in the confidential note-book to the effect—'I have inspected the house of this assessee. I found several bales of cotton, both raw and cleaned.' Of course, the notes were quite correct, but the cotton was agricultural produce and was not liable to tax. I want to ask the Honourable the Finance Member whether his new income-tax officers can improve upon that. That being the case, Sir, I think that, whatever may be the case in regard to big commercial centres, we might wait until our finances improve to entertain a special establishment for the Mofussil. We can manage at present with the existing Land Revenue establishments. I am aware that the Land Revenue establishments belong to the provinces; but, as in the case of the Salt Department, we might make a contribution towards the salaries of these Land Revenue establishments. This will save us a good deal of money and it will at the same time put something into the pockets of the Provincial Governments who will be thankful for these contributions in their present straightened circumstances. I am willing that Dr. Gour's five per cent. reduction may be included in the reduction which I propose.

The motion was negatived.

**Mr. S. C. Shahani :** Sir, I beg to move :

'That the demand under the head 'Taxes on Income' be reduced by Rs. 15,00,000.'

My object in going on with this amendment is to point to some of the facts relating to the taxes on income, which, according to me, are worthy of some consideration. I have noticed the scale for the new staff which is given on page 14 of the Detailed Estimates, and I feel called upon to say that the scale is comparatively reasonable. It was said by those occupying the Government Benches, when the Demand for Customs was under consideration, that it was not possible to reduce the scale there. I am glad that now the Honourable the Finance Member has come forward himself to propose a scale which is in keeping with my suggestion. I think that the scale should be further reduced. It should be possible to have a very good Commissioner on a salary of Rs. 1,500, rising by annual increments of Rs. 100, to Rs. 2,000. It is my firm conviction that there would be no difficulty in getting Assistant Commissioners on a salary of Rs. 800 rising to Rs. 1,200. The second item to which I wish to draw attention is the Personal Assistant to the Head Commissioner drawing Rs. 300 to Rs. 900 and costing Rs. 6,800 per year. I think by this provision we only indispose the Commissioners and Head Commissioners to do their duty. I have noticed the provision of Personal Assistants in the case of Collectors, and I feel that the work which ought to devolve on the Collectors is unduly shifted on to the shoulders of the Personal Assistants. There is one other point to which I would here draw attention, and that is the allowance to the Deputy Collector, Madras, on page 8, amounting to Rs. 2,400 per year. If

Deputy Collectors are required to do duty in connection with the collection of income-tax, I really do not understand why an extra allowance should be given to them. It appears to me that, in respect of items such as these, more exacting control should be exercised over the expenditure, which shows a tendency in every Department to rise high. My Honourable friend, Mr. Hussanally, has alluded to two Commissioners being provided for Bombay. I think he is not right. It is not two, but three. If he looks at page 10, he will find that, under Mofussil Charges, there is a provision made for one Commissioner of Income-tax drawing a salary of Rs. 2,000 rising by annual increments of Rs. 100 to Rs. 2,500. I think that is the appointment which has been intended for the province of Sind. My Honourable friend has pointed out that this Commissioner of Income-tax has not enough work to occupy him. He referred to what appeared in the local papers which said that for several months he never went to his office, and if at all he went to his office, it was after dusk, a circumstance which should certainly be taken into account. If really there is no work for him, then he need not be continued. On the other hand, I would draw the attention of the authorities to Rs. 200 being the maximum for inspectors, assessors and examiners and other executive subordinates, which appears to me to be very unfair. The work that is done by inspectors, assessors and examiners is a responsible one, and an income of Rs. 200 will not be rightly calculated to suffice for one's needs in these days of very high prices. I would also draw the attention of the authorities to the house-rent that is provided here to the extent of Rs. 7,493. I think this house-rent would be inadequate and on that account it needs to be revised.

I find that my Honourable friend, Mr. Jamnadas Dwarkadas, has also given notice of a similar reduction, *viz.*, Rs. 15 lakhs. But I found that he voted against the 5 per cent. reduction that was proposed by Dr. Gour. (Laughter.) I take it that he sticks then to his reduction of Rs. 15 lakhs, and I leave him to do that task for myself. As for myself I feel disposed now to withdraw my motion. I have every reason to be content with what has been done in the case of the motion that was brought forward before the House by Dr. Gour.

**Mr. President:** Is the Honourable Member not moving his motion?

**Mr. S. C. Shahani:** I withdraw my motion.

**Mr. President:** It is an extremely improper practice to move a motion and make a speech and then withdraw it?

**Mr. S. C. Shahani:** For what reason I do not know.

**Mr. President:** The Honourable Member does not see the reason. It would deprive the Government Member of the right of reply if I allowed him to do it.

**The Honourable Sir Malcolm Hailey:** Sir, your ruling, if I may be allowed to say so, anticipated an objection that I was about to bring myself. I must say that it seems to me very unfair to us on the Government Benches that the Honourable Member should make a long speech referring to certain payments that we intend to make, and then by withdrawing deprive us of the opportunity of explaining to the House the reasons for which we have entered them. In the circumstances, however, I do not propose to offer any explanation to the House of the particular item referred to.

The motion was, by leave of the Assembly, withdrawn.

**Bhai Man Singh:** I beg to move:

'That the total demand be further reduced by Rs. 51,000.'

I wish to refer to the high expenditure in the Central Provinces. The total revenue from the Central Provinces is about 40 lakhs and from the Bihar and Orissa Government about 32 lakhs; but, if we compare the pay of the highest officials that are demanded, it is very different. The Commissioner of Income-tax in the Central Provinces is to draw Rs. 2,750 and there are two Deputy Commissioners who are to draw Rs. 1,500 a month. If we compare this with Bihar and Orissa, we have got only one Deputy Commissioner there on Rs. 1,500. Surely the collection of income-tax of only 8 lakhs per month should not cost so much more in the Central Provinces, unless it be due to some special circumstances in the Central Provinces which are different from Bihar and Orissa, of which I might be ignorant. But, looking at the circumstances, I don't find why there should be such a vast difference. There is only one Deputy Commissioner in Bihar and Orissa drawing from Rs. 1,000 to Rs. 1,500. Why should we not have an official in the Central Provinces drawing Rs. 1,000 to Rs. 1,500 as Commissioner of Income-tax, and another official drawing a lesser pay, working as Deputy Commissioner? Why should we not only increase the number of Collectors and have only a Deputy Commissioner as we have got in Bihar and Orissa? Similarly, we

don't find such a heavy charge for the collection of income-tax in Bihar and, if we compare the total of the two provinces, it is in the case of the Central Provinces Rs. 3,24,000, while in the case of Bihar and Orissa it is Rs. 1,82,000. This is about double the amount. Similarly, if we compare it with the United Provinces, the revenues of which are not also very high, they do not compare so favourably. I, therefore, wish to draw the attention of Government that they should see their way, especially in the case of the Central Provinces, to reduce this heavy expenditure and satisfy the House why there should be such a vast difference in the administration of the different provinces, whose revenues bear only a ratio of 34 and 40.

**The Honourable Sir Malcolm Hailey:** Sir, the reason why there is so marked a difference between the establishment of the Central Provinces and that of Bihar and Orissa is simply this. We have to consult Local Governments, their convenience and so forth, in introducing these establishments. Certain Local Governments desire to proceed rather more rapidly. Others, owing to the condition of their province, for various reasons desire that the introduction of the full Reform should be somewhat delayed. The Central Provinces is a type of province that has been desirous of moving more rapidly; Bihar and Orissa is a type of province that has desired that we should move more slowly. You will notice that Bihar and Orissa will start without a Commissioner and with one Deputy Commissioner and with ten Superintendents only. The full establishment, of course, when worked up to would be as costly as, if not more costly than, in the Central Provinces.

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, I rise to support the amendment moved by Honourable Bhai Man Singh. The Honourable Sir Malcolm Hailey in justification of the expenditure in Central Provinces has pointed out that the Local Government has been consulted and they—the Local Government—are in favour of proceeding rapidly in the organisation of the Income-tax Department in that province. Sir, I come from that province and I believe I know the conditions of that province as well as probably the Local Government. The scheme has been in work in my province for about two years and so far the Deputy Commissioners have not been appointed. The Commissioner of Income-tax, whose pay has been put at Rs. 2,000 to Rs. 2,500, has got other work to do besides Income-tax. He is also in charge of the Registration of the whole province. He is also in charge of the Department of the Joint Stock Companies in that province.

**The Honourable Sir Malcolm Hailey :** No, that is not the case.

**Mr. K. B. L. Agnihotri :** That was the information given to me. I may be wrong. But I believe that he is in charge of the Registration Department at any rate of the whole province. It will thus appear that the Income-tax work is not heavy and commensurate with the pay of the post fixed. Taking for granted that he is not in charge of any other department, even then, why should the pay of Commissioner in my province—where the collection of revenue is budgeted at 40 lakhs only—be fixed at Rs. 2,000 to Rs. 2,500? Why could not this work be done by a Provincial Service man getting Rs. 1,000 or Rs. 1,500? My province has got only 22 districts and has only 9 civil districts. 13 Collectors for Income-tax will not be necessary in my province and the work could efficiently be done by 9—say 11 men. The two Deputy Commissioners whose pay comes to about Rs. 24,000 may also be done away with, especially in this year of financial stringency. These posts have not been needed so far, and I fail to understand the necessity of the creation of these two posts of Deputy Commissioners particularly this year. The appeals from the orders of the Collectors could be heard by the Commissioner. If it is found that an intermediate Appellate Court is necessary, then two senior Collectors out of the 13 proposed Collectors could be utilised in place of Deputy Commissioners at least for two years and even more. When better times come and if it then be found necessary, the two Deputy Commissioners may then be appointed, but not necessarily at present. Further, Sir, the commission for collection of income-tax for my province has been budgeted at Rs. 39,500. In the detailed estimates I do not come across any other province which is giving such a high amount of the commission charges as is the case with my province. I do not understand the necessity of this amount of Rs. 39,500, in the face of the high provision made for additional Collectors and therefore I heartily support the amendment of my friend, Bhai Man Singh. I submit, Sir, that over and above the 5 per cent. reduction that has already been voted by the House, this amount can further be reduced from this head of the Demand. My province alone can bear further reduction under this head to the extent of at least Rs. 30,000 to Rs. 40,000 this year. I, therefore, support the motion to further reduce the total demand by Rs. 51,000 as moved by my Honourable friend, Bhai Man Singh.

**Chaudhri Shahab-ud-din** (East Central Punjab: Muhammadan) : Sir, I am in a state of indecision as to whether I should support this motion or oppose it. There are one or two points which, in my opinion, require to be cleared up by the Honourable the Finance Member. As the Department of Income-tax is going to be Imperialised, one would naturally expect uniformity and unification in the whole Department. I find, however, that in certain provinces the Collectors of Income-tax will draw Rs. 1,000 or Rs. 900; in certain provinces the Deputy Collectors will draw Rs. 1,500 to Rs. 2,000; in others they will draw less. I, for one, am unable to see why an Assistant Collector in Madras should, as indicated on page 14 of the blue book, draw Rs. 1,000 rising to Rs. 1,500, while a Collector in the Punjab should draw only up to Rs. 1,000. This discrepancy to my mind requires an explanation and I hope the Honourable the Finance Member will very kindly vouchsafe it.

There is another doubt in my mind which requires to be cleared up. Referring to the figures on pages 296 and 297, I find that the estimated income from the Punjab under the head of 'Taxes on Income' is 66 lakhs and a half, while last year it was only 64 lakhs, that is, the estimated increase in income is only about 2½ lakhs. A reference to page 11 will show that the expenditure last year was only Rs. 2,31,000, while the estimated expenditure for the next year is Rs. 4,92,000. That is, there is an increase of Rs. 2,61,000. It surely requires an explanation why a province, the estimated increase in the income of which is only 2½ lakhs, should have an increase in expenditure even exceeding the income, namely, Rs. 2,61,000. I hope the Honourable the Finance Member will allay my doubt, as also the doubts of some Members of the House, on this point and thus enable us to form opinion as to whether we should support or oppose the motion of Bhai Man Singh.

**Mr. Pyari Lal Misra** (Central Provinces Hindi Divisions: Non-Muhammadan) : Sir, speaking on behalf of the Central Provinces, I am generally in accord with my Honourable friend, Mr. Agnihotri. The Central Provinces, you will find, is very poor and I am simply surprised that two Deputy Commissioners on Rs. 1,000 rising to Rs. 1,500 have been provided in the Budget. We do not require these two Deputy Commissioners. Then, 13 Collectors have been provided in the Budget. That number too appears to be very large in my opinion. Some of these Collectors have been recruited afresh, while others are from the ranks of Extra Commissioners. Some of these Collectors are in charge of two or three districts and I, therefore, do not see any necessity for providing 13 Collectors for a small province like the Central Provinces. Therefore, I generally support the amendment moved by Bhai Man Singh.

I have also to correct one mistake which my Honourable friend, Mr. Agnihotri, made, and that is with regard to the Commissioner himself. Now, the Commissioner is altogether a separate official who is solely in charge of this Income-tax Department. Formerly, the office of Commissioner of Income-tax was combined with that of the Inspector General of Registration. But the Commissioner now is altogether a separate officer.

But, even then, the pay which he gets really seems too high. This gentleman, however, whom we know very well, is an old official from Berar and a very experienced man, too, so I do not grudge that pay to him.

I want an explanation with regard to this item of 'Other Contingencies' which seems rather heavy—Rs. 26,500. 'Other Contingencies' is rather vague, and I shall be obliged if the Honourable the Finance Member will throw some light on this item.

Similarly, on page 11, Rs. 75,000 has been provided for Contingencies in the United Provinces but no details are given. I shall be very much obliged if he will also throw light on this item.

**The Honourable Sir Malcolm Hailey:** Sir, taking first the general questions that have been asked me, I may say that the rate of pay that we propose in the new Department, or I should more properly say the reconstituted Department, will be universal throughout India. Chaudhri Shahab-ud-Din found certain difficulties at present owing to the fact that Deputy Commissioners are referred to in the Central Provinces and so on.

(At this stage Mr. Deputy President took the Chair.)

Now the form of the Department that we propose, and the scales of pay that we propose, will be those that are entered on page 14, that is to say, we shall have a Commissioner, Assistant Commissioners, and Income-tax Officers, and the only difference that will be made in regard to rates of pay is that in the Presidency towns there will be Deputy Commissioners on a somewhat higher scale of pay, in view of the far greater responsibility in those areas,—responsibility which, of course, arises from the necessity of dealing with Companies with large and complicated accounts and with the assessment of big assessees. That explanation, I hope, will satisfy the Honourable Member in regard to this particular point. At present, we have certain

officers holding posts in the Department on a somewhat higher rate of pay because they have been engaged in the past by Provinces themselves and we must wait until the term of their office lapses or until they arrive at some stage in their career when their rate of pay will fit them for absorption in the new Department.

The Honourable Member asked why, in the case of the Punjab, we are prepared to undertake so considerable an amount of extra expenditure on the Department, in view of the fact that we do not expect a very high increase in the coming year in the return of income-tax. Now, of course, all improvement of income-tax assessment, just like all other assessment work, is a growing and continuous process. You cannot expect to see in one year the full result of the increased expenditure laid down in the previous twelve months; it takes some time to train a staff and get it to work; you have got gradually to work up your results, as we have done in many cases already. I can remember the case of Rangoon, where in the course of 3 years following the initiation of considerably improved establishments we increased our receipts by 36 lakhs. So if my Honourable friend is disappointed because we do not expect next year an immediate heavy return on the expenditure we are putting down, this, I may point out, is a very natural process.

With regard to the Central Provinces, the Commissioner has, of course, now no other work to do. The Local Government formerly employed him on a variety of other work, but that has been taken away from him and he is doing only income-tax work, as should be the case. As regards the two Deputy Commissioners provided, the Local Government has asked us to relieve the District Officers of the work and appoint Income-tax Officers in their place; we propose to do so and have made provision for it. I do not think suitable men have yet been found; but there is no doubt that the Local Government were of the opinion that there was sufficient and ample work for these two men to do. As regards the figure of commission presented to the Central Provinces, that, of course, is a figure over which we have no control. You will find it reproduced in form of Contingencies in other demands. The commission for collection of income-tax is a statutory figure, and if the figure provided by rules does not rise to the amount provided for in the Budget, we shall of course save that amount.

I hope, Sir, that is a sufficient explanation of the points that have been raised by my Honourable friends; and now what are they going to do with this motion? They have already cut 5 per cent. by a small majority of this House off the total Budget. Do they desire to go and cut another half a lakh off it? That is the whole point of it. Do they think that the grounds which have been alleged in regard to the Central Provinces are sufficient to warrant their taking that further step? I think, Sir, not.

The motion was negatived.

**Mr. Deputy President:** The question is:

'That a reduced sum not exceeding Rs. 42,56,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Taxes on Income'.'

The motion was adopted.

SALT.

**Mr. A. C. Chatterjee:** Sir, I move:

'That a sum not exceeding Rs. 1,34,61,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, on account of 'Salt'.'

(Cries of 'Adjourn.')

**Chaudhri Shahab-ud-Din:** Sir, a request has been made, I think, by almost a majority of Members that the House be now adjourned. The next item is an important one and we cannot take it up now. I request you will at least be pleased to take the sense of the House on this point. We cannot go on till 7 or 8.

**Rao Bahadur T. Rangachariar:** I formally move:

'That the consideration of this Demand be adjourned till to-morrow.'

**Mr. Deputy President:** It is entirely in the discretion of the Chair whether to grant the motion for adjournment or not.

**Rao Bahadur T. Rangachariar:** I beg your pardon, Sir. My motion is this:

'That the consideration of this Demand be adjourned till to-morrow.'

That is my motion. I do not know if you will rule it out of order. I am entitled to move it.

The motion was adopted.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Wednesday, 15th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

### THE BUDGET—LIST OF DEMANDS—*contd.*

SALT—*contd.*

**Mr. M. G. Mukundaraja Ayyangar** (Madura and Ramnad *cum* Tinnevelly : Non-Muhammadan Rural) : Sir, I beg to move :

'That the provision of Rs. 10,000 'payable to other individuals' under head 'Madras' be reduced by Rs. 100.'

Payments to other individuals, Madras.

If Honourable Members will turn to page 17 of the big Blue Book, they will see an item 'payable to other individuals Rs. 10,000'. It does not give any information or any details : it is very vague. In the two previous items details are given, namely, Rs. 4,40,000 payable to the French Government and Rs. 38,000 payable to the Puddukkotai State. Probably no information and no details are given because Government thought it was a small sum of only Rs. 10,000, but, whether a Demand is small or big, it is only fair to this House that it should be furnished with full information and details as to why the Demand is made. This House, I submit, is entitled to ask the Government to furnish it with details necessary in connection with any item before it is called upon to vote on that particular item. I call for information from the Government by means of my motion as to what class of persons is meant under the term 'other individuals' in this item.

**Mr. A. C. Chatterjee** (Industries Secretary) : Sir, as Honourable Members will see, this item is under the major head 'Assignments and Compensations'. When the Government of India acquired the monopoly of the manufacture of salt in Madras Presidency, as elsewhere, they had to give compensation to people who had vested rights, and this compensation is prescribed under sections 16 and 18 of the Madras Salt Act, 1889. This item has been included in the Budget for many years past. The Honourable Member has said that specific mention is made of the payments to the French Government and to the State of Puddukkotai. That is true ; they are also non-votable items. In the case of payments to other individuals, it was not possible to give the names of a large string of individuals to whom these payments have been made under the Act. I presume that this item relates entirely to such compensations. As the item had been in the Budget for many years, in view of the fact that the Madras Government are the agents of the Central Government in this matter, no special scrutiny was made. The item has also been passed by the Auditor General for many years ; but I have inquired from the Madras Government for particulars by wire, and as soon as I receive them, I shall supply them to the Honourable Member.

**Mr. M. G. Mukundaraja Ayyangar:** On the assurance given by the Honourable Mr. Chatterjee, I beg to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars : Landholders) : Sir, I beg to move :

'That the demand under the head Salt be reduced by Rs. 20,00,000.'

From page 15 it will be seen that the revised estimates of expenditure for 1921-22 amount to Rs. 1,58,40,000. I wish to point out that this is a very heavy increase of expenditure. I find that in the year 1919-20 the income was 5·7 crores, and that the expenditure amounted to 81 lakhs ; and I find that in 1921-22, the income is estimated at 6·41 crores, and then out of this estimated income Rs. 1,58,40,000 are spent on the administration of this Department. As I said, this is a very heavy expenditure and on that account it ought to be curtailed

My next point is once again the salaries. The scale of salaries ought to be revised.

The third point that I would make is the abolition of the Personal Assistant to the Commissioner of Salt, and the fourth that the travelling allowances, which have increased from Rs. 1,45,280 to Rs. 1,91,170, should be reduced. In this year of financial stringency, I further propose that the construction of quarters for officers, etc., be not taken in hand. Their total cost is to be Rs. 98,750 *plus* Rs. 96,100.

**The Honourable Mr. C A. Innes** (Commerce and Industries Member): Sir, I am afraid that I must oppose, as strongly as I can, the motion for the reduction of this Demand by 20 lakhs of rupees. Yesterday it was my misfortune to oppose a reduction in the Customs Demand, and I am afraid the House conceived the idea that I was opposed to retrenchment. I should like to assure the House that that is not the case at all. But I am responsible to this House for the administration of Customs and of Salt, and, if I cannot conscientiously recommend to the House that they should make reductions in revenue-earning Departments of this magnitude, I think the House will see that it is my duty to say so.

Now, Sir, Mr. Shahani has proposed that this Demand be reduced by 20 lakhs. I must take the same line as I took yesterday, and ask the House to tell me where I can find that 20 lakhs. Let me analyse for the House this year's Salt Budget. I find that out of the Salt expenditure, 39 lakhs go in assignments under treaties to various Indian States. Forty-five lakhs go to the Governments of Madras and Bombay on account of the establishments maintained in those Provinces for managing the Salt revenue for us. Those establishments are mixed up with the Excise establishments. The rates of pay are fixed in accordance with the local conditions, and though we are consulted, naturally we are guided by the advice of the responsible Local Governments It is true of course that we might take over the administration of the Salt Department ourselves, but no one in this House can say whether it will pay us to do so. It is very doubtful.

Then, again, Sir, there is an item of 56 lakhs, on account of supplies and services, 31 lakhs in India; 12 in Madras and 13 in Bombay. That expenditure is mainly on excavating and making salt. It would be apparently simple for me to cut down the provision made for the manufacture of salt and excavation charges; but what would be the result? The cost of salt is very small. The duty on it is heavy. The only result of my cutting down the provision for excavation charges would be that we shall have less salt; that is to say, we shall get less revenue; that is to say, this reduction, though it would appear as a reduction on our expenditure side, would mean a very much larger reduction, on our receipts side. I think the House will agree that that would not be retrenchment. Then, again, we have an item of Rs. 15,85,000 for Improvements. That provision would not have been made in the Budget at all had we not been able to satisfy the Finance Department that the expenditure would be directly remunerative. We hope by the works that we are carrying out at Sambhar and Khewra greatly to increase the supply of salt. The advantages will be two. In the first place, there will be much more salt available for consumers. Our present agency system will be discontinued and the price of salt to the consumer will go down. In the second place, we shall get a direct return in salt revenue.

Mr. Shahani has referred to the provision of Rs. 98,000 for the construction of quarters at Sambhar. Well, Sir, Sambhar is a very hot place. Life is very unpleasant there in the hot weather, and I think that this House will agree that the people, labourers, officers and others, who make our salt at Sambhar should be properly housed. I should explain that by far the greater part of this provision is for houses for the lower class of our subordinates. As far as I remember, only one bungalow has been provided for officers.

Well, Sir, I have shown how this provision will be spent. I have accounted now for 159 lakhs of rupees. There is a balance of 15 lakhs for the pay of our officers, our preventive staff and for their various travelling allowances. These 20 lakhs which Mr. Shahani wishes us to reduce must be met from this margin of 15 lakhs. How can it be done? I think the House will agree that this large reduction is quite impossible.

**Mr. N. M. Joshi** (Nominated Labour Interests): Sir, I want some information from the Honourable Member concerning the working of this Department. In the first place, I should like to know from the Honourable Member, salt worth how much is produced by this Department in the Northern India Salt Works? We are spending on those salt works 52 lakhs of rupees a year. I should like to know the quantity of salt that is produced there every year and its price, so that the House may know whether the Department is working at sufficient profit or not.

Secondly, I should like to have one more piece of information. In the statement of revenue, last year's revenue was estimated to be Rs. 6,41,00,000, and the next year's revenue is estimated to be Rs. 11,36,00,000. Although we have doubled the tax, the revenue does not seem to have doubled. There is some explanation. There are some arrears of Salt. But as we are spending 16 lakhs more, I should like to know by what amount the revenue will also be increased on account of the increased expenditure.

**Mr. A. C. Chatterjee:** Sir, Mr. Joshi has asked what quantity of salt is manufactured in Northern India. It is difficult to give exact figures, because it depends very much on natural causes. For instance, when we get a very good monsoon . . . .

**Mr. N. M. Joshi:** Is it a gamble?

**Mr. A. C. Chatterjee:** It is a gamble in the monsoon, certainly. That is what we are trying to prevent by having improvements which will make us independent of this gamble. When we have a good monsoon we may produce in Sambhar and from the other Rajputana sources anything up to 80 lakhs of maunds. If we do not have a good monsoon, as happened in 1911, we produced in that year in Sambhar only 17 lakhs of maunds. It entirely depends on the monsoon. We must realise that the methods of excavation and working of the Sambhar Salt Lakes have not been changed since the days of the builder of the Kutub Minar. It is therefore our intention to make ourselves independent of the natural causes, and that is why we propose to spend this money.

A certain amount of money has already been spent, and as a result, although the monsoon last season was as deficient as it was in 1911, we were able to get about 40 lakhs of maunds of salt, which has meant an increase of revenue of about 40 lakhs over what would have been obtained had we got the same supply as in 1911.

**Mr. N. M. Joshi:** What is the price of 80 lakhs of maunds?

**Mr. A. C. Chatterjee:** I was coming to that, Sir. The average expenditure per maund of salt produced in Sambhar is just under 3 annas and in Didwana it is 2 annas 3 pies. In Pachbadra 2 annas 3·8 pies. This is realised when the salt is sold to dealers. It is quite different from the duty, of course. The price of excavation in Khewra is higher because there we have to do mining. The price of excavation in Khewra works out to 3 annas 3·32 pies per maund.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): In Bombay?

**Mr. A. C. Chatterjee:** I have not got the Bombay figures here but the cost is about the same, about 4 annas, I think, per maund, and, of course, as the Honourable Member is aware in Bombay the source is the sea salt which is manufactured in many places. In certain areas it is not exactly sea salt. It is salt which is obtained from the sea coming into shallow parts and receding again. In Madras also the cost works out to very much the same figure. The Honourable gentleman has asked about the revenue estimate. I confess I am not familiar with the revenue estimates. Perhaps my Honourable friend, Mr. Aiyar, will be able to enlighten Mr. Joshi on that point.

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): I listened with attention to the Honourable the Commerce Member, but I must say that I was not satisfied with the explanation he gave for two large items that Mr. Shahani wants to cut out, namely, Rs. 98,000 for new houses and Rs. 96,000 for repairs and so on. In regard to the first item he said that new quarters are required for housing the gentlemen in charge of these works. (*A Voice*: 'They are for labourers.') Whatever it be, I think they must have got some kind of quarters to live in at the present moment. Why is this large item suddenly demanded in a year of financial stringency? Would it not be better to postpone these for another year until our finances improve? For my part I think that these two items, at any rate, can be postponed for a year. The officers and others working in these salt works could be housed as far as possible for another year in their present houses. Then, Sir, there is another point, and that is, the duty going to be enhanced. (*A Voice*: 'Proposed to be enhanced.') I see a footnote here which says that the money is to be spent on providing new quarters. It does not necessarily mean that there are no quarters at the present moment. They have got some quarters. They can live in these houses for another year. That is my point and, since the duty is going to be enhanced, I think the consumption would naturally fall and, therefore, production will also be reduced in proportion. That will also reduce the cost of production to a certain extent. I think that Mr. Shahani is quite justified in asking for this reduction.

**The Honourable Sir Malcolm Hailey** (Finance Member) : Sir, Mr. Joshi asked a question about the revenue estimates. I would refer him to paragraph 17 on page 299 of the Demands for Grants. If the figures are not adequately explained there, I should be glad to give him any further information he wants, I should like to inform the House, in regard to the particular point raised, that I have settled with the Auditor General that we should prepare, if possible, a proper capital and revenue account for our Salt Department. That will be placed in the hands of Members and will show exactly the relation between the cost of production and the price at which we sell our salt.

**Mr. President:** The question is :

'That the demand under the head 'Salt' be reduced by Rs. 20,00,000.'

The motion was negatived.

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban) : I merely formally move my motion for reduction on the 5 per cent. basis of the total expenditure, but after listening to the Honourable the Commerce Member's explanation, the real expenditure on establishment comes only to 16 lakhs. Therefore, I am willing, if you will permit me, to accept the motion of which my friend, Sir Vithaldas Thackersey, has given notice.

**Mr. Jamnadas Dwarkadas** (Bombay City : Non-Muhammadan Urban) : I had intended to move for a reduction of 5 lakhs, but after listening to my Honourable friend, I also am willing to accept the motion which is to be moved by my Honourable friend Sir Vithaldas Thackersey.

**Dr. Nand Lal** (West Punjab : Non-Muhammadan) : Since a motion is to be moved on behalf of the Democratic party, in the interest of that, I withdraw my motion.

**Sir Vithaldas D. Thackersey** (Bombay Millowners' Association : Indian Commerce) : I beg to move :

'That the demand under the head 'Salt' be reduced by Rs. 1,71,450.'

General reduction.

The reasons are quite clear. As explained by the Honourable Member in charge of the Department, most of the expenditure is on service and therefore it cannot be touched. I hope, following the policy of general retrenchment, the Honourable Member will endeavour to reduce the expenditure to the small extent of Rs. 1,71,000. My remarks made in regard to my previous motion apply for reduction in this demand.

**The Honourable Mr. C. A. Innes :** Sir, I recognise the consideration with which the House has dealt with me in this matter of reducing this Demand by Rs. 1,71,450. At the same time, I am afraid that I am in the same difficulty as I have been all along. I do not see where the money is to come from. It is perfectly true that we might cut out this provision of Rs. 98,000 for quarters, but I should be very reluctant to do that. The whole case of these quarters has been most carefully examined by the Standing Finance Committee quite recently. They knew that the financial position was bad and yet we were able to make out a case for these subordinates, which they recognised was unanswerable.

**Rao Bahadur T. Rangachariar :** We were not aware of the extent of the deficit.

**The Honourable Mr. C. A. Innes :** The Standing Finance Committee knew that the financial position was bad. They knew it was a year in which every possible economy was necessary and they decided that economy in this matter was not right and I hold to that opinion. The climate at Sambhar and at Khewra is very trying. We require very large labour forces there. We have got to attract labour to that place and it is a mere business proposition that if we want the labour which we must have and if we want to get the revenue, we must deal with them properly in the matter of house accommodation. I think that everybody in this House will recognise that. As regards the motion for reduction, I am entirely in the hands of the House. I am prepared to make every possible endeavour for economy, but I cannot commit myself on the figures I have given to the House, to any particular figure at the present time, and I am afraid I must leave it at that.

**Sir Montagu Webb** (Bombay : European) : May I ask if the Honourable Members of the Finance Committee have ever been to Sambhar in the hot weather ?

**Rao Bahadur T. Rangachariar:** May I ask if the Honourable Member has been to Madras, the village parts in Madras ?

**Sir Montagu Webb:** I would much prefer to be in Madras.

**Mr. N. M. Samarth** (Bombay Nominated Non-Official) : Sir, I beg to support the motion of Sir Vithaldas Thackersey ; and I wish to draw the attention of the Honourable Member in charge of this Department to the fact that in the Budget non-voted expenditure, as compared with the revised estimates of 1921-22, has increased by Rs. 2,18,000. I do not know on what principle these non-voted items are swelling from year to year. As a matter of fact, I take it, even under the construction which the Law Officers of the Crown have been reported to place upon our demand that the non-votable expenditure should be made votable, even under that construction there is no need, there is no justification, for including in non-voted items posts which have been newly created. All that the section says is that certain salaries of certain persons appointed by the Secretary of State or under his orders are non-votable. Is it a fact that all this Rs. 2,18,000 belongs to that description? I doubt it,—I doubt it, Sir,—and I consequently maintain that items have been included in the non-votable column which should not have been included in that column at all. These are matters in which we have no voice. You are going to increase all these non-voted items of Rs. 2 lakhs and odd, and surely we are entitled to say: 'You are bound to reduce that expenditure to the tune, at any rate to the modest tune, of Rs. 1,71,450.'

**The Honourable Mr. C. A. Innes:** May I point out that the rise in non-voted expenditure occurs under assignments and compensations on page 16, the explanation being that 40 and 20 per cent. of the cost price of salt manufactured in excess of a certain limit is payable, respectively, to the Jaipur and Jodhpur Durbars ; and the House will see, if they look at page 16, that it has been increased up to Rs. 2 lakhs this year, in the Budget Estimate this year over the Revised Estimate of last year.

**Mr. N. M. Samarth:** That is, without any addition of any single officer being made ?

**Mr. A. C. Chatterjee:** The only officer under the non-voted head who has been added, Sir, is a Mining Engineer whom we had to import from England. That was necessary under the recommendations of the Industrial Commission to improve the mining methods in Khewra.

**Mr. Jamnadas Dwarkadas:** Sir, there is one further item in which I believe economy can be effected. Travelling allowances and honoraria are provided for in this item, in this Department, to the extent, I think, of about Rs. 12 to 13 lakhs of rupees. The contingent charges come to about Rs. 3 to 4 lakhs of rupees. Now I quite realise the necessity of officers travelling, but if they use a certain amount of discretion and if they avoid going to the same place over and over again, and so organise their tour as to include all the places that are in the neighbourhood of each other, probably a good deal of saving can be effected. I think it is a very modest demand, and, if in this item a saving can be effected, I hope the Honourable Member will have absolutely no objection to accepting it.

**Dr. Nand Lal:** Sir, I stand to support this motion, which speaks for itself. Sir, as we know, the proper function of the Government is always to confine its activities to the administrative side, and not to transform itself into commercial or industrial concerns. (Hear, hear.) Why should this Salt Department be allowed to remain at all in the Government of India hands as a Government concern ? This should be entrusted to private enterprise ; and, if it will be done, I daresay, the Government revenue shall not suffer and the people will find a suitable encouragement and pursuit for their activities. Government has got a good many pursuits in hand, and, on account of having so many pursuits and some of them I am sorry to say are such pursuits as should not be adopted by the Government at all—there is a mass of discontent, and in order to avoid that discontent I think it will be a very suitable remedy that this Salt Department should be abolished altogether, the Government will not lose its revenue because it will get the royalty. Some officers may be employed to supervise and to see that there is no smuggling, and that the rules and the laws are not infringed, but, so far as the question of the excavating of salt from the mines is concerned, or getting it from the Sambhar Lake is concerned, these pursuits should be entrusted to private people, who are quite capable of it. They will pay royalty to the Government and hence, as already submitted, there will be no loss of revenue.

**Mr. President:** It is quite clear that the Honourable Member cannot effect his purpose by reducing the vote by one lakh. He could only do so if he moved the omission of the entire vote.

**Dr. Nand Lal:** I submit, Sir, I am assigning reasons in support of retrenchment, saying at the same time that there are arguments showing that there are no good reasons at all for the maintenance of this Department, but, taking a lenient view I content myself with supporting the present motion. Perhaps it may be suggested on behalf of Government that this work cannot be entrusted to the people because they are incapable of doing it. I will demur, and say that the people of this country are quite fit to undertake it. Some years ago, coal was excavated from mines through Government agency. Some of the coal mines are now worked by the lessees, namely, by private enterprise and the work has been done efficiently. But the explanation then offered by Government was that this work could not be undertaken by the people of this country and therefore Government was forced . . . .

**The Honourable Sir Malcolm Hailey:** When was this said ?

**Dr. Nand Lal:** If I recollect correctly some 10 or 12 years ago, when this enterprise was countenanced by the people of this country, especially of the Punjab, petitions were made, and the reply to these petitions was that the people were not then quite efficient to carry it out, though subsequently, after petitioning, the leases were granted.

**Mr. W. M. Hussanally:** I rise to a point of order. I do not think what my friend says concerns the Salt Department. I think the Honourable Member is quite irrelevant, so far as the question before the House is concerned.

**Mr. President:** I thought the Honourable Member would take the hint I gave him.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Sir, I move that the question be now put.

**Mr. President:** The question is :

'That the demand under the head 'Salt' be reduced by Rs. 1,71,450.'

The motion was adopted.

**Mr. President:** The question is :

'That a reduced sum not exceeding Rs. 1,32,90,000 be granted to the Governor General in Council to defray the charge which will come in course of payment for the year ending the 31st day of March, 1923, in respect of 'Salt'.'

The motion was adopted.

OPIUM.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 1,86,32,000 be granted to the Governor General in Council to defray the charge which will come in course of payment for the year ending the 31st day of March, 1923, in respect of 'Opium'.'

**Sardar Gulab Singh** (West Punjab : Sikh) : I move, Sir :

General Reduction. 'That all votable portions of the demand under the head 'Opium' be reduced by Rs. 50,000'.

**Mr. President:** Does the Honourable Member mean the reduction of the entire vote by Rs. 50,000, or does he wish to apply the reduction to any particular item ?

**Sardar Gulab Singh:** According to my figures, the reduction I want to make is one of Rs. 50,00,000. I sent a note to the Secretary to that effect and if it is approved I will change it to 50 lakhs.

**The Honourable Sir Malcolm Hailey:** We should be very glad if we might know what we are to discuss.

**Mr. President:** I am trying to find out. What reduction does the Honourable Member propose to move ?

**Sardar Gulab Singh:** Rs. 50,00,000.

**Mr. President:** There is a considerable difference between Rs. 50,00,000 and Rs. 50,000.

**Sardar Gulab Singh:** Two zeros were left out by mistake.

**The Honourable Sir Malcolm Hailey:** I shall not make any objection to his change of motion, Sir.

**Sardar Gulab Singh:** Before I give reasons for my motion, I would draw the attention of the House to page 301 of the Blue Book. There, Sir, the Honourable House will find that in 1918 the Actuals were, for revenue, about five crores, and for expenditure about two crores. In 1919, the revenue was 4,55 lakhs, while the expenditure was 1,30,54,497. In the present Budget, the revenue is three crores and the expenditure is about two crores. So that, while the revenue has fallen from five crores to three crores, the expenditure, which was 1,96 lakhs in 1918-19, is now 1,88 lakhs. I do not wish, Sir, to go into details, which can best be worked out by officers of the Department controlled by the Finance Member, who knows well the strength of his finances. There are a few other points which I would like to mention, and which will I think convince the House that a sum of Rs. 50 lakhs, if not more, might justly and profitably be reduced from this Demand.

Sir, in 1918-19, the income under this head was, in round figures, about five crores, and the expenditure of collection and production was about two crores. In the year following, 1919-20, the revenue fell off to about 4½ crores, and the expenditure was 1¼ crores. In 1921-22, there was a further fall in revenue to about 3 crores; but the expenditure, instead of decreasing in that year, rose to a higher figure of about 1¾ crores. In the Budget figures for 1922-23, we find nearly the same figures both on the revenue and expenditure side, as that of the preceding years. It is apparent from the above that in 1918-19, the expenditure was two-fifths of the total revenue. It will also be seen from the above that the income is dwindling, and, if I rightly remember, the Honourable the Finance Member also admitted in this speech that the revenue from auction sales is steadily dwindling. Thus, it will not be out of place and inequitable if we request the Government to bring down the expenditure to the same proportion to revenue as that of the year 1918-19, that is, to two-fifths of the total revenue. Sir, in the coming year the revenue has been shown to be about three crores. Accordingly, if the expenditure is two-fifths of the revenue, it ought to be nearly one and one-fifth crores. But in the Demand the expenditure has been set down at about 1¾ crores. Thus, I think that my motion for the reduction of the demand by 50 lakhs is not an unjust one. In this connection, Sir, I would like to mention the analogy of the procedure which would be adopted in big commercial firms. If in a firm having several branches of business, one branch proves to be a losing concern or shows decreasing profits year after year, and at the same time if the firm thinks that there is not the least possible chance of the market for the commodity concerned improving, the firm will set about decreasing its establishment gradually and will ultimately close the branch if necessary. Now that the chief market for opium is closed altogether and I think for ever, so I think the Opium Department will, year after year, show a steady decrease in its revenue as it is at present showing. It is time that Government should reduce the establishment in that Department. The main argument that Government advance whenever a question of reduction of establishment comes in is how to dispense with the services of officers and men of the Department concerned. But, may I ask, in a vast organisation such as that of the Government, will it be impossible to transfer existing men of one Department to another Department of the Government of India as well as to Provincial Governments, whenever vacancies occur? With these few words, I commend my motion to the House for its acceptance.

**The Honourable Sir Malcolm Hailey:** Sir, I do not intend to 'fling' any argument at the Honourable Member as he suggests that I may do. I merely wish to state to the House a simple fact which I think will dispose of the whole of his motion without further discussion. He proposes a reduction by Rs. 50 lakhs in our demand on account of Opium. It would have been well if he had gone a little further into the figures with which we have provided him on pages 20 and 21 of the book of Demands. He will see there that our total establishment amounts (according as to whether you merely take pay or add all allowances like travelling allowance, office rent, and items of that nature) to from 12 to 14½ lakhs. Therefore, the 50 lakhs reduction would wipe out the whole of our establishment four times over, and that, I think, the House will admit, is in itself practically a physical impossibility if we are to continue to earn any Opium revenue at all, and that, Sir, is my simple answer to the Honourable Member.

**The motion was negatived.**

**Mr. Jamnadas Dwarkadas:** Sir, I beg to move :

General 5 per cent. reduction.

'That the demand under head 'Opium' be reduced by Rs. 2,00,000.'

This motion for reduction is based on the principle of reducing by 5 per cent. Actually it is much less than 5 per cent. I think this is the least that the Members of this House can do and I am sure that Government will accede to this modest demand. I do not want to go into details, because it would unnecessarily take the time of the House. There are many items in which, if proper economy is effected, it would not be difficult to reduce to the extent of Rs. 2 lakhs. (*The Honourable Sir Malcolm Hailey:* 'Can you specify these items?') I hope Government will accept the motion.

**The Honourable Sir Malcolm Hailey:** Our Opium revenues are of course, Sir, from causes perfectly well known to the House, causes for which we are not responsible, of a diminishing nature. The reduction is due largely to the fact that the Local Governments have quite raised the issue price of Excise Opium and are thereby gradually reducing consumption. It is due also to the fact that for a variety of reasons, not the least of which is international pressure, our outside customers are reducing their demands for provision opium. Actually we spend Rs. 1,88,21,000 and expect to get Rs. 3,09,00,000, that is to say, we expect to make about one crore and twenty lakhs. Now, let me analyse the figures on which this operation is built up. As I have already said, the establishment we keep up to earn this money costs actually in pay and travelling allowances, from Rs. 12 to Rs. 14 lakhs. All the rest of the expenditure is incurred on purely commercial operations, *viz.*, buying Opium and selling Opium. As for buying Opium, we give of course advances to cultivators and we have to buy the Opium when it is brought forward, that is to say, we shall in the coming year be buying Opium for which we have given advances in 1921 and we must adhere to our contract. Now, every chest of Opium that we buy we sell at sums which amount from 3 to 5 times the price which we pay for it. Commercial Members here would agree, I think, that it is a sufficiently remunerative operation. (Hear, hear.) I could not advise the House to force on us any reduction that would compel us to buy less Opium, because in that case we shall have less Opium to sell. That, I think, goes without saying and consequently if we make a reduction it must be made on the establishment. Now, Sir, can you make a reduction of Rs. 2 lakhs in one year on an establishment of which the pay costs 12 lakhs? I point out that the scale of pay is hardly liable to attack. Our sub-opium agents had their pay slightly raised about a year ago, but I may explain to the House that for the future, as soon as the present sub-opium agents services die out, we shall be employing officers purely from the provincial service of the United Provinces on provincial scale of pay. What, then, are those items which the Honourable Member puts forward as so easily capable of reduction? I should be glad myself for some information on this subject. Does the House really think that in an establishment the pay of which comes to about Rs. 12 lakhs we can effect a reduction of Rs. 2 lakhs? I must again point out that if you are to make a reduction elsewhere you will only reduce the quantity of Opium we buy and consequently the quantity of Opium which we sell. I put it to the House that this is not in itself a practicable proposition.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Sir, the Honourable the Finance Member has entirely misunderstood the object we on this side of the House have in view in forcing upon the Government a Resolution on Demand after Demand for the reduction of 5 per cent. expenditure. I think, Sir, it was explained yesterday that the object of the non-official Members on this side of the House is to effect at least 5 per cent. reduction in the total expenditure of the Civil Departments, and we have pointed out that, if the Honourable the Finance Member would have acceded to the request made by my Honourable friend, Sir Vithaldas Thackersey, and repeated by myself later in the day for one Resolution for a 5 per cent. reduction upon the total expenditure, we would have been saved the time of having to vote on each Demand separately for a 5 per cent. reduction. I speak once for all, Sir, that it is not necessary that we should justify the expenditure under every Demand. But what is necessary is that the Government must realise that a 5 per cent. reduction upon the total expenditure must be effected, and it may be distributed over several Demands. In some cases the reduction may be 10 per cent. In other cases it may go up to 15 per cent. and in other cases, there may not be any reduction at all, but, so long as the irreducible minimum of 5 per cent. reduction is assured, we should be satisfied. In that view, Sir, it is not necessary for any Member to justify the 5 per cent. reduction under this head 'Opium', and I ask the House to vote for this reduction regardless of what the Honourable the Finance Member has said on this particular subject.

The Assembly then divided as follows :

AYES—64.

Abdul Majid, Shaikh.
Abdur Rahman, Moulvi.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barodawala, Mr. S. K.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Cotelingam, Mr. J. P.
Das, Babu B. S.
Das, Pandit R. K.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Ibrahim Ali Khan, Lieutenant Nawab M.
Ikramullah Khan, Raja M. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Jejeebhoy, Sir Jamsetjee.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nag, Mr. G. C.
Nand Lal, Dr.
Nayar, Mr. K. M.
Neogy, Mr. K. C.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Samarth, Mr. N. M.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Ujagar Singh, Baba Bedi.

NOES—32.

Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Amjad Ali, Maulvi.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. J. R.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
McCarthy, Mr. F.
Mitter, Mr. K. N.
Percival, Mr. P. E.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Sapru, the Honourable Dr. T. B.
Sharp, Mr. H.
Spence, Mr. R. A.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was adopted.

**Mr. President :** The question is :

'That a reduced sum not exceeding Rs. 1,84,32,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Opium'.'

12 NOON.

The motion was adopted.

LAND REVENUE.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 1,56,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Land Revenue'.'

**Rao Bahadur T. Rangachariar :** I beg to move :

General reduction by 5 per cent.

'That the demand under the head 'Land Revenue' be reduced by Rs. 7,800,'

that is to say, one-twentieth of the total expenditure, following the general procedure we have adopted.

The motion was adopted.

**Mr. President :** The question is :

'That a reduced sum not exceeding Rs. 1,48,200 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Land Revenue'.'

The motion was adopted.

STAMPS—INCLUDING EXPENDITURE IN ENGLAND.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 12,45,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stamps—including expenditure in England'.'

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadan Rural): Sir, I beg to move:

General reduction. 'That the provision for cost of stamps supplied from England under sub-head 'Purchase of Stamps' be reduced by Rs. 4,40,000.'

This item relates to the cost of stamps supplied from England. My reason for the reduction of this item is that we can have stamps and stamp paper manufactured in this country (Hear, hear); and if the contract for the supply of stamps is distributed both in England and in this country, there is a considerable margin for reduction. I am aware that there are certain firms in this country who can carry out orders for the supply of stamps and stamp paper and I do not see why the Government, in these circumstances, should not effect an economy by giving contracts to certain Indian firms to manufacture stamp paper for the use of Government. I know at least of one particular firm and I have seen the paper turned out by that firm. I know they do supply the stamp paper to certain Native States and their paper is as good as the stamp paper manufactured in England. I think the time has come when the orders at least ought to be distributed. If the Indian firms are given orders, they will be encouraged to put up better plants and to increase their supply in course of years. On this ground of encouragement of Indian industries, I trust both we on this side of the House and the Honourable Mr. Innes and Mr. Chatterjee on the other side of the House will admit that the time has come when this Demand should be reduced by Rs. 4,40,000.

**The Honourable Mr. C. A. Innes:** Sir, I am afraid, however important the question raised by Mr. Kamat may be, it is a question, for the purposes of this Budget, merely of academic importance. The reason is this. At present the stamps that we require are obtained from an English firm under a contract which was concluded for ten years in 1915. That contract will not expire till December, 1924. That being so, it is impossible to give effect to Mr. Kamat's proposal in so far as the present Budget is concerned. I see that this question of printing these stamps in India has been taken up in my Department. There are, however, very serious difficulties in the way. For instance, let me read an extract which I have got on the subject. This is relating to an English firm:

'The work is highly specialised and many of the machines they use are of their own design. And the most minute oversight of the work is constantly exercised, not only on the technical side, by Messrs. de la Rue's staff but also on the Revenue side by officials from Somerset House. The details of this are brought out in the contract bond. Its importance in view of the enormous difference between the face value and the manufacturing cost of stamps of all kinds, needs no elaboration.'

Then he goes on:

'No Indian paper mill can at present produce paper of the quality used for Postage Stamps and other adhesive stamps, and still less that used for the stamped paper.'

So the House will see that there are many difficulties in the way.

**Dr. H. S. Gour:** Whose report is that?

**The Honourable Mr. C. A. Innes:** It is the report of the Controller of Printing and Stationery. There are many difficulties in Mr. Kamat's proposal and I hope that the House will not accept the motion for this large reduction. Even if the House were to accept the motion, there will be no possibility of effecting this economy because we have this running contract with this English firm.

**Sir Vithaldas D. Thackersey:** Why should you have such a contract?

**The Honourable Mr. C. A. Innes:** That happened in 1915 when I was Collector in Malabar.

**Sir Vithaldas D. Thackersey:** Was the contract entered into by tender?

**The Honourable Mr. C. A. Innes:** I am afraid I have not gone into the history of the case.

**Rao Bahadur T. Rangachariar:** Why was this contract entered into during the war?

**The Honourable Mr. C. A. Innes :** I cannot answer that again. It was in continuation of a previous contract for 10 years. As I was explaining with reference to this contract with this English firm, the procedure is that when our stock of stamps of any particular denomination runs low—whether it is postage stamps or stamps used by Local Governments—we send Home an indent to make up our stocks. If, however, we have not enough money to buy the stamps that we require, the result would be either that Mr. Clarke would not have the postage stamps he requires for the public or that the Local Governments would not have the stamps they require for court fees and other purposes. So I am sure the House will realise that this is not a practicable motion.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir, apart from the difficulties created by the existing contract, which I fully recognise, I should like to hear whether there are any other difficulties which preclude the manufacture of stamps in this country and whether it would be possible for the Department of Industries to consider the question of the possibility of the manufacture of stamps in this country after the expiration of this contract.

**The Honourable Mr. C. A. Innes :** I have already explained to the House that we have this question under consideration now. Whether we should be able to do anything, is a different matter; but we have got the matter under consideration.

**Dr. H. S. Gour:** May I, Sir, ask the Honourable Member for Commerce and Industry whether it is not a fact that, as stated by Mr. Kamat, stamps are being manufactured in this country for the use of Native States ?

**Mr. N. M. Samarth:** Certainly ?

**Dr. H. S. Gour:** And that they are actually at the present moment in use in certain Native States. If no difficulty is experienced as regards the manufacture of stamps for Native States, I don't see what difficulty the Central Government would have, besides the one pointed out about the existing contract, which should not enable it to place a contract in this country for the manufacture of stamps. I submit that if it is a fact and I have seen myself some of the stamps manufactured for use in the Native States . . .

(*A Voice*: 'Which Native States?) A great many of them. I have seen stamps for . . .

**Mr. Denys Bray** (Foreign Secretary) : Does the Honourable Member in referring to Native States mean 'Indian States'?

**Dr. H. S. Gour:** Yes, I mean Indian States. I think the Honourable the Foreign Secretary is perhaps by this time conversant with the fact that Native States are now designated by polite Indians as 'Indian States.' (Laughter.)

As regards the cost, I ask the Honourable Member for Commerce and Industries to place before the House at an early date a report as to what is the cost of the manufacture of these stamps in England and how the cost will compare if they are manufactured locally.

These are the questions which are exercising the minds of Honourable Members on this side of the House, and, if a satisfactory assurance is given, the motion for reduction, as moved by Mr. Kamat, might be modified or withdrawn.

**Mr. J. Chaudhuri** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural) : May I ask the Honourable Mr. Innes if the Local Governments now obtain all their stamps through the Central Stamp and Stationery Office and whether it will not be desirable for the provinces, now that stamp revenue is a transferred subject and now that the Local Governments are fixing their court fees on different scales and otherwise increasing their stamp revenue, to make their own arrangements both with regard to stamps and stationery? That will relieve the Government of India of a great deal of burden and I expect it will also go to ensure economy in these Departments.

**Munshi Mahadeo Prasad** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural) : May I know what are the terms of the contract? Are we bound to purchase stamps of any fixed price every year, and what will be the effect of the Local Governments having their own court fees stamps, which they have under contemplation, on this contract?

**The Honourable Mr. C. A. Innes:** With reference to Dr. Gour's remarks, I can only say that this question has only just been taken up for consideration. As a matter of fact, I did not know that the matter was even under consideration until I got the file this morning. I have taken a note of the two points that Dr. Gour has mentioned, namely, the fact that Indian States do use Indian-made stamps - I will inquire into that point—and also his other point as to the comparative figures of cost. But, as I have pointed out, this question cannot have any effect upon this year's Budget. It is a matter for separate consideration.

As regards the other point, namely, whether Local Governments should be left to make their own arrangements for the purchase of stamps, that, of course, is also a matter for separate consideration. But I would point out that these stamps are printed in the same way and are of the same pattern throughout India. Obviously, therefore, it is very much better to bulk your indents and purchase on a large scale rather than to let each Local Government make its own separate contract. I think that considerations of economy point to that conclusion. However, that is a matter on which Local Governments will no doubt have some say of their own when this present contract comes to an end in 1924. As I have said, it is quite impracticable, I think, the House will agree to make this large reduction, which will merely mean that the Postal Department and the Local Governments will not have stamps to sell, and, therefore, will not get the revenue from those stamps.

The motion was negatived.

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

General reduction. 'That the demand under head 'Stamps' be reduced by Rs. 1,17,400.'

My motion under this head is the general motion to reduce the expenditure by one-twentieth, that is, by 5 per cent. I quite realise the difficulty pointed out by the Honourable the Commerce Member that even this motion, although it is only one-fourth of the amount moved by my Honourable friend, Mr. Kamat, errs on the side of severity. I quite recognise that, but, as regards the making of stamps in this country, either the Government themselves doing it or placing the order in the hands of private firms, the Honourable the Commerce Member has not told the House that he is going to make any beginning next year. If he will give an assurance that he will begin in earnest, so as to be ready as soon as the contract expires, so that this country will produce the stamps required for the purpose of consumption in this country, perhaps my friends on this side of the House may be unwilling to allow the item to be reduced to the extent I am proposing. But that assurance has not been given. Well, we want some beginning made in this direction. There is no use coming forward later on and saying 'Oh, we have made a contract for five years or for ten years'. The Industries Department has been in existence for I do not know how long; these highly paid officers have been in existence for some years and what have they been doing all these years as regards this small item which the country can produce. There is no reason why the country should enter into contracts with foreign firms and pay these large sums. That is what pains us and that is what induces us to take this firm attitude at this juncture.

The Assembly then divided as follows:

AYES—50.

| | |
|---|---|
| Abdul Majid, Shaikh. | Kamat, Mr. B. S. |
| Abdul Rahaman, Munshi. | Latthe, Mr. A. B. |
| Agarwala, Lala G. L. | Manmohandas Ramji, Mr. |
| Agnihotri, Mr. K. B. L. | Man Singh, Bhai. |
| Ahmed, Mr. K. | Misra, Mr. B. N. |
| Asjad-ul-lah, Maulvi Miyan. | Misra, Mr. P. L. |
| Ayyangar, Mr. M. G. M. | Mudaliar, Mr. S. |
| Ayyar, Mr. T. V. Seshagiri. | Nabi Hadi, Mr. S. M. |
| Bagde, Mr. K. G. | Nag, Mr. G. C. |
| Bajpai, Mr. S. P. | Nand Lal, Dr. |
| Barua, Mr. D. C. | Nayar, Mr. K. M. |
| Bhargava, Pandit J. L. | Neogy, Mr. K. C. |
| Chaudhuri, Mr. J. | Rangachariar, Mr. T. |
| Das, Babu B. S. | Reddi, Mr. M. K. |
| Das, Pandit R. K. | Sarvadhikary, Sir Deva Prasad. |
| Ginwala, Mr. P. P. | Schamnad, Mr. Mahmood. |
| Girdhardas, Mr. N. | Shahani, Mr. S. C. |
| Gour, Dr. H. S. | Singh, Babu B. P. |
| Gulab Singh, Sardar. | Sinha, Babu Ambika Prasad. |
| Hussainally, Mr. W. M. | Sinha, Beohar Raghubir. |
| Ibrahim Ali Khan, Lieutenant Nawab M. | Sohan Lal, Bakshi. |
| Iswar Saran, Munshi. | Srinivasa Rao, Mr. P. V. |
| Jafri, Mr. S. H. K. | Subrahmanayam, Mr. C. S. |
| Jatkar, Mr. B. H. R. | Subzposh, Mr. S. M. Z. A. |
| Joshi, Mr. N. M. | Thackersey, Sir Vithaldas D. |

NOES—41.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Jejeebhoy, Sir Jamsetjee. |
| Aiyar, Mr. A. V. V. | Kabraji, Mr. J. K. N. |
| Aiyer, Sir P. S. Sivaswamy. | Keith, Mr. W. J. |
| Amjad Ali, Maulvi. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | McCarthy, Mr. F. |
| Bray, Mr. Denys. | Mitter, Mr. K. N. |
| Bryant, Mr. J. F. | Mukherjee, Mr. J. N. |
| Chatterjee, Mr. A. C. | Percival, Mr. P. E. |
| Clarke, Mr. G. R. | Ramayya Pantulu, Mr. J. |
| Cotelingham, Mr. J. P. | Renouf, Mr. W. C. |
| Crookshank, Sir Sydney. | Samarth, Mr. N. M. |
| Dalal, Sardar B. A. | Sapru, the Honourable Dr. T. |
| Faridoonji, Mr. R. | Sarfaraz Hussain Khan, Mr. |
| Fell, Sir Godfrey. | Sharp, Mr. H. |
| Gajjan Singh, Sardar Bahadur. | Spence, Mr. R. A. |
| Habibullah, Mr. Muhammad. | Ujagar Singh, Baba Bedi. |
| Hailey, the Honourable Sir Malcolm. | Waghorn, Colonel W. D. |
| Hullah, Mr. J. | Way, Mr. T. A. H. |
| Ikramullah Khan, Raja M. M. | Webb, Sir M. dePomeroy. |
| Innes, the Honourable Mr. C. A. | Zahiruddin Ahmed, Mr. |
| Jamnadas Dwarkadas, Mr. | |

The motion was adopted.

**Mr. Jamnadas Dwarkadas:** Sir, I beg to move :

General reduction. 'That the demand under head 'Stamps' be reduced by Rs. 1,00,000.'

My object in moving this is to seek some information . . . .

**Rao Bahadur T. Rangachariar:** Sir, I rise to a point of order. Is this in order? When we have agreed to a motion for reduction by Rs. 1,17,000, I do not see how a lesser sum can be moved. I do not know if my Honourable friend means it in addition to the Rs. 1,17,000 voted upon.

**Mr. Jamnadas Dwarkadas:** Sir, for the purpose of not getting my motion ruled out of order I shall move that a further sum of Rs. 1,00,000 be reduced. But my object in moving this is really to seek some information on the subject of the purchase of plain paper in India. Last year 3 lakhs were provided for, and the revised estimate shows Rs. 2,60,000. This year again 3 lakhs are provided for. I am sure the Honourable Member is aware that the price of paper has gone down considerably and is going down still further. I was not able to obtain the actual figures this morning but I can safely say, having had something to do with the purchase of paper, that the price of paper has gone down sufficiently not to justify this expenditure. I hope the Honourable the Commerce Member will be able to give me some information on that point.

**Mr. President:** I think I had better put the main question before the Honourable Member replies. The question is :

'That a reduced sum not exceeding Rs. 11,28,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stamps—including expenditure in England'.

**The Honourable Mr. C. A. Innes:** Sir, it is a fact that the price of paper has dropped very considerably this year, but whether that reduction has been taken into account in making this provision for the purchase of plain paper in India, I am afraid, I do not know; but, in any case, if there is a reduction there, I shall be very glad of it, because it will enable me to find this Rs. 1,17,000 which has been cut out, without putting Mr. Clark or the Local Governments into serious difficulties with regard to their supplies of Stamps.

**Mr. Jamnadas Dwarkadas:** Sir, after this explanation, I withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** The question is :

'That a reduced sum not exceeding Rs. 11,28,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stamps—including expenditure in England'.'

The motion was adopted.

FORESTS.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 7,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of Forests'.'

**Bhai Man Singh** (East Punjab: Sikh): Sir, I move:

Headquarters Charges. 'That the provision for Headquarters Charges be reduced by Rs. 100.'

Sir, my reasons for moving this amendment are that Forest is a provincial subject and a provincial transferred subject in the Presidency of Bombay. So far as I know, nearly all the forests in the whole of India are situated in the different Provinces, and if there are any forests directly under the Government of India they might be in the North-West Frontier Province, and perhaps there might be some in Ajmere and Coorg. But, as I am told at the beginning of the book, the Demands for Forests in those Provinces are given under a separate heading there, and the forests there are of comparatively small dimensions. The only forests I believe that are directly under the Government of India are the forests in the Andamans. So I cannot understand why we have got such a large staff in the Central Government offices and such a large number of officers in this Department that the total cost of this staff and officers is Rs. 1,72,000. We have got one Inspector General of Forests drawing Rs. 3,250 a month, and there is an Assistant Inspector General of Forests drawing Rs. 1,750 rising to Rs. 2,250 a month.

Then we have got a Consulting Forest Engineer drawing Rs. 2,250 a month. The number of clerks under these three officers is comparatively very small, that is, 11. If an officer has got a very large amount of official work to do, he must naturally have many clerks under him who have got to execute the orders which he issues. This clearly shows that there is not much office work for these three officers. So far as the research work and original experiments are concerned, we have got quite a separate institute, namely, the Forest Research Institute at Dehra Dun and we have got a complete separate staff meant for that institute. So far as I can understand, the officers in the headquarters have not got to do any research work. I should like to know under these circumstances, Sir, why should there be such a large staff to control the forests in the provinces such as Coorg, Ajmer, which I may say is not more than one district in dimension and North-West Frontier Province. With regard to Andamans, I think that one of these officers would hardly be going even once a year to tour in the Andamans. My attention has been drawn to the fact, by my Honourable friend, Mr. Jatkar, that there is a separate forest staff in the Andamans as well. So, before voting for the votable portion of this demand, the House has every right to know why we have got such a large number of officers, with their staff, in the Central Government. The other question is about the training of Indians in England. The Honourable Member who represents the Department would very well remember that we had a discussion on this subject, namely, as to whether full facilities were given for Indian students to be sent for training in England and I should like to know with reference to our last year's debate how matters have been facilitated and how it has been made easier . . . .

**Mr. President:** Does the money under this Demand cover the training of Indians in England?

**Bhai Man Singh:** Very well, Sir, I shall reserve my remarks on this point for a later amendment under this very head; for the present I should like to know why we have so many officers.

**Mr. J. F. Bryant** (Madras: Official): Sir, I think that the Honourable the Mover of this amendment cannot have read this Blue Book very carefully. If he will turn over a few pages, he will find many things of which he was not aware. On page 233, there is Ajmer. The receipts from forest revenue are Rs. 48,000. As regards the Andamans and Nicobars, I would like to point out to him that the figures on page 239 showing the receipts from forest revenue are very large. That does not exhaust the list. There is Rajputana. Again there is Central India, page 256. There you have relatively large receipts. Coming to the south of India, I would point out that there is the province of Coorg which forms a very important item. I think that, if the Mover of the motion had considered these facts, we should not have had the motion which he has just had the honour to move.

**Mr. J. Hullah** (Revenue Secretary): Sir, we still retain the Inspector General of Forests and the Assistant Inspector General in spite of the fact that in most provinces Forests are a provincial subject though not a transferred subject except in Bombay. The Inspector General is for the most part a touring officer. We have the Andamans, Coorg and the North-West Frontier Province, all of which have valuable forest properties.

The Andamans in particular have been described by a consulting engineer from America as the very finest forest property in the world, and Mr. Howard, our Timber Agent, who lectured about a fortnight ago to a few Members of the Legislature who were able to attend, told us that we had in them a veritable gold mine. In the North-West Frontier Province, our forests are of great value and we hope, when we can get the money, to introduce the resin extraction operations which have brought in very considerable net revenues to the Governments of the Punjab and the United Provinces. In Coorg we have valuable forests, especially in the matter of sandalwood. It may be said that there is no need for our Inspector General of Forests to tour. For many years past he has toured on behalf of the Government of India, but not in the provinces of Madras and Bombay. Those two provinces have for a great many years enjoyed a position of almost complete independence in the matter of their forest administration and they have their own self-contained staffs. Their officers are not liable to transfer to other parts of India. I mention this only to add that we have recently received from those two Governments, Madras and Bombay, special requests that we will in future extend to them the services on tour of our Inspector General of Forests and I may remind the House that one of those two Governments administers Forests as a transferred subject. We have also the Forest Research Institute and we need an adviser in the Government of India to tell us how to develop it, but I may have a further opportunity of explaining the scope of that institute if the further motion that I see on the paper is moved. The Assistant Inspector General of Forests is wholly an office hand, and I can assure the House that there is plenty of work for him to do, more particularly as has transpired in the matter of the Indianisation of the Forest Service.

We have been asked what progress we have made in that direction. Last year, we sent 22 Indian probationers to England. That was more than the number which should have been sent according to the percentages which have been laid down as a result of the recommendations of the Public Services Commission. Honourable Members may think that this percentage is not high enough, but until it is altered by orders, it remains, and, I repeat, last year we sent to England more probationers than we should have sent under those orders. I do not know if the House realise how much work there is involved in getting Indians into the Imperial Service. You, first of all, put out your regulations, after correspondence with the Secretary of State. You then receive a large number of letters from possible candidates, many of them asking whether they cannot be excused from the age limit, or whether they cannot be excused from the fact that they do not possess the necessary educational qualifications. We say 'no'. But still requests of that kind require an answer, and involve a good deal of work and a good deal of correspondence. Then we arrange for our Selection Committee, or our examination, or both, and when we have selected the men whom we propose to send to England, we are again faced by a smaller, but still a large, number of applications from the rejected candidates, asking why they were rejected and challenging the marking of the papers or the fairness of the Selection Committee. At last, we begin to send them to England, and even then we have to arrange for their passports and their passages and to tell them what they have to do and where they have to go ; and I assure the House it takes a great deal of trouble before we land them safely in London. All that, I think, will come to an end when we train the probationers in India.

The House may be aware that there are schemes for developing Dehra Dun as a training institution, not only for the Provincial Services, as at present, but also for the Imperial Service. Dr. Sarvadhikary has given notice of a Resolution expressing a preference for one of the alternative schemes, or rather, I should think I should say, condemning the other . . . . .

**Mr. President:** Order, order. We are considering not Dehra Dun but Headquarters Charges.

**Mr. J. Hullah:** I am trying to show that there is still plenty of work for the Government of India, but I will not enlarge on that point.

Another point is the posting of the staff. We still have to retain in our hands control of this matter,—the transfers between provinces. That is a matter which cannot, I am sorry to say, be left to the Local Governments.

That is all that I wish to say, Sir. I hope I have shown that we still have some work to do.

**Rao Bahadur T. Rangachariar:** Sir, Honourable Members will notice that under this Demand No. 7, our axe has not come into play. It is because

we want the forests to develop as quickly as possible so that from the development of commercial Departments like Railways, Forests and other irrigation works, people may be relieved of taxation in this country. That being the object in view, we hope and trust that speedy progress will be made in the development of the forests of this country, and the country will not be reluctant to grant expenditure under that head, provided due regard is had to Indian interests.

**Mr. R. A. Spence** (Bombay: European) : Sir, may I congratulate the Democratic Party (Cheers) on the grain of sense that they have shown this morning. (Laughter.) I am extremely glad indeed that the forests, which, as my Honourable friend, Mr. Rangachariar, says, do want development and are such a gold mine to India, have not been cut down by the democratic axe. I only wish that they had followed that course in regard to some of the earlier motions.

**Mr. N. M. Joshi** : Sir, I should like to get some information from the Honourable Member in charge of the Department. My friend, Mr. Bryant, from Madras, spoke something about the revenues and expenditure of this Department. I find from the statement of revenues that the total revenue of this Department from forests is Rs. 21,68,000, and from the statement about expenditure I find that the total expenditure is Rs. 54,12,000. Sir, it is due to the House that the Member in charge should explain how this is a commercial proposition. I am not against spending any money on forests, but I certainly want information and an explanation how this is a commercial Department and a revenue-producing Department.

**Mr. J. Hullah** : Sir, I do not say that our expenditure on Forests is or will be immediately covered by receipts.

**Mr. N. M. Joshi** : In how many years, Sir, will it be ?

**Mr. J. Hullah** : I do not say that the large expenditure on the Research Institute can be immediately covered by receipts to the Government of India. I only say this, that in the last 40 years the forest surplus – not revenue— the forest surplus of India as a whole has risen from 15 lakhs to 220 lakhs. That, of course, includes the revenues of all the provinces. There is a large expenditure provided under the Andamans, expenditure even there which exceeds the immediately anticipated receipts. We hope to develop the Andamans, and we shall have to lay out a very big capital outlay, amounting, we expect, to no less than 50 lakhs. It will, in due course, come before the House, though not, I am sorry to say, this year. It will be for the House to judge whether it is a wise outlay and whether it should be made in spite of the fact that we cannot show in the very same year receipts which more than counterbalance that outlay.

The motion was negatived.

**Mr. P. L. Misra** (Central Provinces), Hindi Divisions : Non-Muhammadan) : Sir, I beg to move :

**Miscellaneous other charges—Forest Research Institute.**

'That the provision for Miscellaneous other charges under sub-head 'Forest Research Institute' be reduced by Rs. 40,000.'

Sir, I have no mind to cut out this item. I wanted simply an explanation from the Honourable Member in charge. We see that we have provided for the purchase of stores, tools, plant, communications, buildings, and so on. And yet we find under 'Miscellaneous other charges' Rs. 1,06,850. In the year 1921-22, it was Rs. 64,100. I therefore require some explanation for the increase of this expenditure under 'Miscellaneous other charges'. 'Miscellaneous other charges' is a very ambiguous term and I should be glad if the Honourable Member will inform us as to the items this consists of. I do not press my amendment further.

1 P.M.

**Mr. President** : The question is :

'That the provision for Miscellaneous other charges under sub-head 'Forest Research Institute' be reduced by Rs. 40,000.'

I understand that the Honourable Member wishes merely to raise a point of criticism. There are two purposes for which motions for reduction may be moved; one is to save money, and the other is to obtain satisfaction from Government on a point of criticism. I may point out to the Honourable Member that if he wishes to obtain satisfaction on a point of criticism, it is much better to move a very small reduction; otherwise, his friends may take the matter into their own hands and carry a reduction which he himself does not wish to effect.

**Mr. J. Hullah:** I am sorry, Sir, that I cannot give the details. I have not got them with me. But the figure represents one lakh less than we asked for and is all that has been allowed to be included in our Budget. Generally speaking, the largely-enhanced figure is a consequence of the expansion of the Institute at Dehra Dun which has occurred this year. Since December 1920, we have employed a Seasoning expert, a timber testing expert, a paper pulp expert and a wood worker. The incidental expenditure of the Institute has grown in consequence. That, I am afraid, is the only explanation that I can give in the absence of particular details.

**Mr. Pyari Lal Misra:** Sir, I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Bhai Man Singh:** Sir, I move :

Forest Research Institute Establishment.

'That the provision for establishment of the Forest Research Institute be reduced by Rs. 25.'

At the outset I would like to make it clear that my object is very far from any wish to obstruct research work. I do really want that more and more energy should be devoted to research. But, Sir, we have a large staff and a collection of experts in the Forest College, and the House is perfectly entitled to know what they have done during so many years of service. Has any research work been successfully carried on? For instance, we have a Forest Botanist and a Forest Chemist. I should like to know what success and what results have been achieved by them in their researches, and where are the facts to prove that they have been doing their work worth their salt? Of course, I quite understand that results in research cannot be obtained in a day or two. But on the other hand it is quite possible for an easy-going research worker to say that he has been trying, but can show no results. I think that those who are responsible for the administration of that institute, directly or indirectly, should exercise a certain amount of control over the research workers, and should know definitely in what branches they are making experiments, what compounds they have discovered, and generally what results they have arrived at in the way of improving our forest industries. Surely, if our Forest Botanist and Forest Chemist, after efforts extending over so many years, are not able to show any results, we can very well come to the conclusion that they are either incompetent or that they are not doing their work. That is one point on which I should like information, namely, for how many years these officers have been working in the College and what results they have shown.

The other point about which I would like to know is, how many of these experts and officers are Indians, whether there have been any Indians employed at all in the Forest Department in this College in research work, and, if so, whether those Indians have shown any results; whether they have left the College, and, if so, whether their posts have been filled by other Indians? These are the two points about which I should like to have information from the Honourable Member representing the Department before I withdraw this motion.

**Mr. J. Hullah:** Without going into this at great length, I can only refer the Honourable Member to a publication which I hold in my hand, the Progress Report on Forest Research in India, which has been published and is available to him at any time. Among the principal results that the Research Institute is able to show is the very flourishing resin and turpentine industry in the Punjab and the United Provinces, which I have already mentioned. That was a direct result and a direct consequence of tests made in the chemical section of the Institute. Tests made there have also resulted in the institution of a thymol factory near Dehra Dun. The visits and advice of the Economist have resulted in the creation of one company in Bengal and one at least, I believe two, in Burma, for the manufacture of paper from grasses and bamboo. In the botanical section, by investigating the æration of soil, a process has been discovered which it is believed—of course it cannot be proved yet—will reduce the period of growth of the very valuable timber, *sal*, by no less than 25 years.

I was next asked as to what has been done in regard to the employment of Indians in the research posts at Dehra Dun. Very little, I am afraid. I do not know where we are to get an Indian who will take on the post of a specialist in say, seasoning, or in timber testing, or one who has specialised in tans or in wood technology. We have not been able to get experts for some of these posts yet, although they appear in the Budget. And those specialists whom we have been able to recruit have all come from America. We could not get them even in England.

The only Indian who has held one of these posts was Mr. Puran Singh, who held the post of Forest Chemist, and I believe did very well, but has now resigned. We have a scheme, barred by financial stringency, of employing as Assistants to each and everyone of these experts, Indians, so that they may take the places of the experts when they go. The American experts whom we have imported are all only under 3 years' agreements and fairly soon they will have to be replaced. We have appointed at Dehra Dun two Indians to work under these experts who in due course will, we hope, succeed them.

**Sir Deva Prasad Sarvadhikary:** I do not know whether this explanation and information will satisfy Bhai Man Singh. They do not satisfy me. However, I deprecate the raising of an important debate like this on a side issue in connection with the Budget. As has been mentioned, I tried to get in a substantive Resolution but I could not. I am informed that Government propose to bring up the matter by a Resolution and I suggest that we wait till then and bring in all that we have got to say on this important matter.

**Mr. N. M. Samarth:** As Government know that a Resolution has been passed by this House for the purpose of sending Indian and Anglo-Indian youths abroad for, among others, education and training in Industrial Chemistry, theoretical and practical in all its branches, I hope and trust that before we meet next year, effective steps will have been taken to give effect to that Resolution.

**Mr. B. H. R. Jatkar** (Nominated Berar Representative): Has any progress been made in regard to the preparation of paper pulp from cotton plant?

**Mr. J. Chaudhuri:** Mr. Hullah has referred to experiments with regard to grass pulp and bamboo pulp. But the processes of obtaining paper pulp by such processes is well-known in India. But what we cannot get in India is wood pulp. I should like to know whether suitable wood is available in India and whether any experiments have been made in the Forest Institute for the manufacture of wood pulp in India. Let us accept Dr. Deva Prasad Sarvadhikary's suggestion and reserve the discussion of such questions till later on, when the Honourable Member will also be in a position to furnish fuller information.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 7,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Forests'.'

The motion was adopted.

The Assembly then adjourned for Lunch till Fifteen Minutes Past Two of the Clock.

---

The Assembly re-assembled after Lunch at Fifteen minutes Past Two of the Clock. Mr. President was in the Chair.

## RAILWAYS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 73,92,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Railways'.'

I have received information that there is a general desire in the Assembly to discuss a motion for a substantial reduction, *viz.*, Rs 25 lakhs, independent of other motions for reduction. I may point out that, if I permitted that, it would exclude some of the smaller motions for reduction. On such a motion, smaller points could be raised by Honourable Members in whose names the smaller reductions stand. They would be at liberty to move those smaller reductions in the course of the debate.

**Mr. B. S. Kamat:** May I know what happens to my motion which is a larger reduction? Shall I not get the opportunity to move the large reduction?

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-official) : I suggest that the larger reductions should be taken first, as a substantive proposition; the amendment of Sir Vithaldas Thackersey may come afterwards, and the House may then vote upon the whole.

**Dr. H. S. Gour:** I suggest that the motion for reduction by Rs. 25 lakhs be first discussed, and, if Mr. Kamat wants to move his Resolution for the larger reduction, he should be at liberty to do so.

**Mr. President:** The procedure usually adopted is to take the larger reduction first.

**Mr. B. S. Kamat:** Sir, I beg to move :

'That the demand under head 'Railways' be reduced by Rs. 73,00,000 as under :

*Sub-head Working Expenses* (a) *General Superintendence* (*in Appendix B*).

| | Rs. |
|---|---|
| Assam-Bengal Railway, by | 2,00,000 |
| Bengal-Nagpur Railway, by | 8,00,000 |
| Bombay, Baroda and Central India Railway, by | 10,00,000 |
| Burma Railways, by | 3,00,000 |
| Eastern Bengal Railway, by | 6,00,000 |
| East Indian Railway, by | 11,00,000 |
| Great Indian Peninsula Railway, by | 11,00,000 |
| Madras and Southern Mahratta Railway, by | 5,00,000 |
| North-Western Railway, by | 10,00,000 |
| Oudh and Rohilkhand Railway, by | 3,00,000 |
| South Indian Railway, by | 4,00,000 |
| General Superintendence Total | 73,00,000' |

Members will notice that, so far as this reduction is concerned, I am confining my attention chiefly to the working expenses of Railways, and, as there are two or three principal items which come under the head of Working Expenses, I should also make it clear that I am not going to deal with all the items of working expenses which are involved in the working of the Railways, but am confining my attention in the motion to the matter of General Superintendence only, that is to say, the staff of the various Departments. The other items which come under the head of Working Expenses, as, for instance, Fuel, Renewal, Carriages or Wagons, Rolling Stock, Locomotives, Permanent Way, and various other items, I am not going to touch. So far as my motion goes, I shall concentrate my attention on the expenditure which is budgeted under the head 'Railways', so far as superintendence of the various railways is concerned.

I contend, Sir, that the Railway Department is expending a great deal more than they should do over the staff. I am aware that the scale of wages or scale of salaries of higher officers has gone up since the war, and I do recognise that a certain percentage of rise on account of staff expenses is bound to occur; but what I contend is that there seems to be an extravagance, even allowing for the present scale of salaries or standard of wages, on the part of some railways in regard to the charges for their staff. I can prove this point from statements contained in Government Reports themselves. If we take for instance two railways which are similarly situated, and examine their total charges for wages, I think that point will be perfectly clear. Unfortunately in the report of the railway working, with which Members have been supplied recently, there have been no details supplied of the various persons getting salaries below Rs. 1,000 per month; but even the meagre data, which the recent Railway Report affords, supply us with definite conclusions on that point, and I hope, by giving you certain facts from the Railway Report itself, I shall be able to deduce a cogent conclusion that certain railways at any rate are spending on their staff sums of money in an inordinate manner. Now, it must be noted that any comparison in the working of different railways is likely to be vitiated if we do not bear in mind certain special features under which the different railways work; for instance, Railways near coal-fields have their working expenses affected by the fact that they are close to the coal-fields. For the purposes of a comparison, therefore, I will take two Railways, whose scales of wages prevailing in the area and other conditions of working are nearly the same.

Now, the two Railways which I am taking for comparison are the Bombay, Baroda and Central India Railway and the Great Indian Peninsula Railway. The Great Indian Peninsula has under its working a mileage of 3,300 miles and the Bombay, Baroda and Central India has under its working a mileage of something like 4,000 miles. That is to say, the Bombay, Baroda and Central India has a larger mileage than the Great Indian Peninsula. And yet what are the expenses for working the lines so far as the staff goes. If we turn to page 21 of the recent Railway Report, we are told therein that the Bombay, Baroda and Central India, which I have told you has the larger mileage, spends Rs. 3,43,00,000 over its staff, and the Great Indian Peninsula, which has a smaller mileage, spends Rs. 4,76,00,000, that is to say, one crore and 33 lakhs more. Now, these two Railways are, I maintain, similarly situated in every respect, and yet, although the Great Indian Peninsula has a smaller mileage, it spends one crore and some lakhs more than the Bombay, Baroda and Central India over its superintendence charges. Now, we shall be told that, so far as the superintendence and staff goes, it is all a matter of efficiency. But let me point out that, so far as the efficiency of these two Railway systems is concerned, I do not think any Member dare say that the efficiency of the Bombay Baroda and Central India is a bit inferior to the efficiency of the Great Indian Peninstla. On the other hand, I believe the efficiency of the Bombay, Baroda and Central India is as good as, if not better than, the efficiency of the Great Indian Peninsula. All this conclusively goes to show that, so far as the working expenses for staff and superintendence are concerned, the two systems have a very large discrepency in their expenses. Now, what are the reasons. If you very closely go into the question of salaries even of the officers mentioned in Appendix B, you will find that the Great Indian Peninsula Railway has a very extravagant and much larger scale of salaries for its officers than the Bombay, Baroda and Central India. Take, for instance, the Engineering Branch of the Great Indian Peninsula. I see that the Chief Engineer on the Great Indian Peninsula is paid a salary of something like Rs. 3,000, whereas the Chief Engineer of the Bombay, Baroda and Centra-India, which works a greater mileage, is paid Rs. 2,400. Take other Departl ments, for instance, Loco, traffic and, for the matter of that, any other Department; you will find, if you examine the columns of the salaries given in this publication, that the Bombay, Baroda and Central India which has an Indian element, pays a smaller scale of salaries to their officers than the Great Indian Peninsula. Well, I think I have shown very cogently and conclusively, Sir, that taking these two Railways which are similarly situated, the difference in working expenses is due perhaps to a great extent to the great difference in the scale of salaries paid to their higher officers. I can safely conclude also that, so far as the officers and men below the salary of Rs. 1,000 are concerned, perhaps the same explanation accounts for the difference between these two Railways. From these facts, I contend that the question of the superintendence and the salaries given to the staff in the different Railways requires a very close investigation. I am aware that in these days artisans, skilled labourers and others are all clamouring for a higher rate of wages. But this is a question of degree. I was told the other day that the excess in expenditure in 1921-22, so far as the Railway Department goes, namely, 10 crores of rupees, of which we were discussing a few days back when we were on this subject, was not entirely due to an excess in wages and salaries but was also due to certain other causes such as repairs, etc. But here I am now quoting facts only about superintendence and wages. I need not take into account other factors, namely, the cost of repairs to rolling-stock. I think I have already shown from the Government publication that these two distinct systems of Railways have a very wide discrepancy in their charges for salaries. I think I have been able to make out my case conclusively that there is a great deal of extravagance going on somewhere in the superintendence charges of the various railways. The only factor which is in favour of the Great Indian Peninsula is perhaps the fact that they have to work two Ghat Sections. But even then we must remember that out of the total mileage of something like 3,300 miles the Ghat Section is after all a very very small fraction indeed and it ought not to account for the very large excess in the working expenses. Now, Sir, it comes to this. Not only the scale of salaries in all grades must be looked into but the main question, namely, the Indianisation of different branches of the Railways, must be very closely and earnestly looked into. I am rather sorry to harp on the same subject again. But the reduction of the charges for superintendence hinges itself on the question of the degree of Indianisation carried on by each Railway. And I think although we shall be told that the question of Indianisation cannot be solved in a day, that this question is the crux of the matter and it is at the bottom of the whole thing. So far as the question of Indianisation is concerned, I believe we have right to know from the Member in charge what he has done during the last year. The very same question was raised by me in connection

with the same Budget item last year when we were discussing the Budget. We shall be told perhaps, when the Honourable Member gives me a reply, that the question is being looked into and that men actually in service cannot be sacked in a day, that the salary bill cannot be curtailed by a stroke of the pen, and the same thing that he told us last year. But, on the other hand, what I want to know from him is this. Has he made a beginning ? Has he looked into the question during the last twelve months ? Has he asked the different Railway Companies whether they are having any vacancies in higher grades and how these vacancies have been filled up by them ? Has he sent round a circular to the different Railway Companies to the effect that, whenever vacancies occur, they ought to stick to this principle of having as many Indians as possible, subject of course to the proper standard of efficiency. Well, if he can satisfy me on this question that the principle of Indianisation is being steadily carried on and that he is laying a foundation, as it were, of Indianising the Railway Services, then I think I should be satisfied. But, if he is still looking into certain files, or making certain inquiries or simply asking for reports from various Companies, then I maintain he would not be giving us a satisfactory solution of this difficulty. One more point about the working expenses. I believe that this question can never be solved as long as the Railway Department do not insist on the training of skilled men, foremen, artisans and other skilled men, for the various Railway Services in India. I should like to know from the President of the Railway Board whether in this respect any action has been taken during the last 12 months. There are so many Railways in India and, if they want cheap and efficient labour, both skilled and unskilled, I think it is time that they should start workshops for the training of artisans, foremen and others in the various branches instead of importing all these men from overseas. I should like to know how many Railways have started workshops for admission of Indians. If the Railway Department had insisted on the different Railway Companies to start workshops for the training of Indians for the different technical branches, I think I shall have nothing to say. But the fact is that nothing has been done. If this has been left entirely to the discretion of a few Railway Companies in India, then I believe that the policy which the Railway Department is pursuing is the *laissez faire* policy, and I do not think that they can claim the credit of doing anything tangible or substantial so far as the Indianisation or so far as the training of Indians for the Railway Departments goes. On these grounds, Sir, we must insist that it is time now to reduce the working expenses over the superintendence charges. I, therefore, move :

'That the demand under head 'Railways' be reduced by Rs. 73,00,000'.

**Mr. N. M. Joshi :** Sir, I have great pleasure in supporting the motion put forward by my Honourable friend, Mr. Kamat. Sir, I also, after reading the statement, about the Railways, have come to the conclusion that the working expenses of the Railways are too large. I find, after going through these statements, that a number of new posts including temporary ones carrying salaries of Rs. 1,000 and more have been created during the last year and they number about 100.

Not only that, but when we compare the salaries, we also find that in the case of about 400 posts, the scales of salaries have been raised during the last year. Sir, this is a year of deficit and, whenever there were demands from the subordinate staffs of the Railways, the Railway Board has replied that this year they could not expect any rise in their wages, while we find in the case of the higher Services, at least 400 of them getting higher scales of salaries during this year. I think this matter requires very close scrutiny by this House before they sanction the whole budget of the railways Personally, I believe that these officers are very highly paid and their salaries need not have been raised at all, and, if we do not raise the salaries of these officers, we are sure to have a good balance left for cutting down the working expenses.

Then, Sir, I would like to make one remark about Indianisation. Only a few days back the Honourable Member in charge of the Department of Commerce and Industries said that in the Railways you require skilled labourers, men requiring technical skill and efficiency. I think we should ask the Government now to state in clear terms which Departments of the Railways require skilled officers of a kind which cannot be obtained in India. That will enable us to find out how many of these appointments could have been filled by men in India and how many could not have been filled. We see Europeans being appointed in all sorts of posts, which I am quite sure could have been filled by Indians. There is a distinction made as regards the salaries of guards and ticket collectors even. Now, certainly a ticket collector does not require a skill which can be obtained only by a particular community and cannot be obtained by other classes of Indians.

**Mr. R. A. Spence:** He does not always remain a ticket collector, you know.

**Mr. N. M. Joshi:** Then, there is another point regarding education which my Honourable friend, Mr. Kamat, has raised. I think Government has got some training schools for Anglo-Indians, but there are hardly any training schools or any apprenticeship system for Indians. If they have such a system on a large scale, I am sure after a very few years they will find that there is sufficient skill available in this country.

While on this subject, Sir, I should like to make one or two remarks about these statements. I find that some of the details which were given in the last year's statements have been omitted this year. I do not propose to say that they have been omitted purposely, but I would like to invite the attention of the Member in charge to pages 6 and 7 of Appendix B, Statement of Demands and also to pages 6 and 7 of last year's statement, and he will at once find a difference. A number of details have been given in last year's statement which have been omitted in this year's statement. I hope the Member in charge will give a satisfactory explanation of this omission. Of course, adding a number of details means spending a little more money on paper, but I hope the House will not grudge that amount.

Then, Sir, there is another point which I should like to mention while speaking on this motion, and it is this. Only a few days back, I referred to one matter, namely, that the expenditure of the Railway Board and of Railways is not scrutinised by the Standing Finance Committee. I expected a reply from the Honourable the Finance Member, but the reply is not yet forthcoming. I ask the same question again and I ask whether the expenditure under Railways is to be scrutinised by the Standing Finance Committee or not, and, if it is not to be scrutinised by the Standing Finance Committee, whether there is any other Committee which is going to scrutinise that expenditure.

I do not want to take up any more time, but I hope the House will support the motion of my Honourable friend, Mr. Kamat.

**The Honourable Mr. C. A. Innes:** The speeches of the two Honourable Members who have just spoken have covered so many points that I fear that in replying to their speeches I may omit some of those points.

The proposal of Mr. Kamat is that the provision made under the head 'General Superintendence' should be reduced by no less a sum than Rs. 73,00,000. The ground on which he has based this proposal is that the Railways are extravagantly staffed. Now, the first point I have to make is this. Most of these Railways have been handed over to Companies for management. They are big commercial businesses; they are managed by commercial bodies. I am aware that Company management is objected to by many Members of this House. Why is it objected to? Because it is said that the Indian public is exploited on behalf of the shareholders, and that the Companies think of their shareholders rather than of the interests of India. Now, if the Companies have in mind the interests of their shareholders, I ask this House whether they are likely to engage a larger staff than they require or to pay that staff unnecessarily high rates of salaries. In this connection, I will refer to an authority which will be recognised, I think, by everybody in the House, namely, the authority of Sir William Acworth, and his Committee. Sir William Acworth, referring to the salaries of the staff, says:

> 'It is true the present emoluments of the railway services in India, whether at headquarters or in the management of individual undertakings, are entirely inadequate. We shall best make clear the situation if we say that the highest salary paid in the Indian railway services to-day is hardly more attractive that that of the head of a sub-department on a big English railway.'

That, Sir, does not look as if our scale of salaries were pitched too high. Nor is it fair, I think, merely to take two Railways, compare their mileage and say, because one of the Railways spends more on its staff than the other, that that Railway is extravagant. You have got to take other considerations into account. It is true that the Bombay, Baroda and Central India has a greater mileage than the Great Indian Peninsula, but the traffic on the Great Indian Peninsula is ever so much greater, double that on the Bombay, Baroda and Central India. A larger traffic means a larger staff, more engines, more dealings with the public and a greater superintending staff. If you compare the percentage, the ratio of superintending costs on the Great Indian Peninsula to gross receipts with that of the Bombay, Baroda and Central India, you will find that the ratio is smaller on the Great Indian Peninsula than it is on the Bombay, Baroda and Central

India. As a matter of fact, if one applies that test to the Railways in India I think that the House will realise that there is not very much the matter with the costs of superintendence. They vary from 6 per cent. on the bigger Railways, namely, the East Indian, the North-Western and the Great Indian Peninsula, to 14 per cent. on the Assam-Bengal Railway, and on the Assam-Bengal the costs are undoubtedly high, as that is a long railway, which is not paying, while it has a ghat section. But the point which I wish to make is this. We have entrusted the management, for good or for ill, of these Railways to Companies. Is this House going to tell these Companies that they are not going to provide them with enough money to enable them to keep the Superintendence staff that they require? So I hope, whatever the fate of this motion may be, that the House will not put us in that position by insisting upon a reduction of Rs. 73,00,000.

Mr. Joshi said that the cost of superintendence had gone up very much in the last year, that 105 new posts had been created and that the pay of 400 other posts had been raised. He also went on to say that we were refusing to increase the pay of the subordinate staff while we were increasing the pay of the superior staff. Now, that is not quite correct. In the first place—I have not worked out the figures—but I dispute altogether the correctness of the statement that 105 new posts have been added.

**Mr. N. M. Joshi:** Publish your statement.

**The Honourable Mr. C. A. Innes:** As for the increase of pay, it is true that in February, 1921, we did sanction increases of pay on Railways, but we have increased the pay of all the staffs from top to bottom, as we have done in every other Service. There has been no discrimination in favour of the supervisory staff.

The next point raised was Indianisation. Well, I have not been in charge of this Department very long, and I am afraid I am not able to give a very complete reply to Mr. Kamat's pointed question as to precisely what we have done in the past year. I understand that what was done was that all Company Railways were addressed on the subject. They were told that the policy of the Government of India now was in favour of Indianisation, and it was impressed upon them that they should fall into line in that policy. I should like to emphasise the fact that that is our policy now—a policy of Indianising the Services wherever we can do it. It is very largely a question of getting the trained staff. I am already publicly pledged in the Council of State to go into the matter and to take the Advisory Council into my confidence in the matter. I have promised to do that and I shall do it as soon as ever I can. The file is on my table at this present moment.

Mr. Joshi wanted to know whether the Railway workshops take apprentices, and whether they take only Anglo-Indian apprentices or Indian apprentices as well. I think I am right—Colonel Waghorn will correct me if I am wrong—in saying that all Railway workshops do take apprentices and that they take Indian apprentices as well as Anglo-Indian apprentices. I can answer for that as regards the Madras and Southern Mahratta Railway in Madras, because I myself, when I was Director of Industries, used to have classes of Railway apprentices up from the Railway workshops to my night school. They used to come up twice a week, and only the other day in connection with this Budget I sanctioned, I think I am correct in saying, a lakh of rupees for certain works in Bihar and Orissa where the Railways and the Local Government are working in consultation in regard to the training of apprentices. In this connection I may say that there is to be a Conference of Ministers in Calcutta, and one of the questions which is to be discussed at that Conference is what arrangements we can make so that Local Governments and Railways may collaborate in this matter of training Indian apprentices to be works foremen and the like.

One other remark and I have done. Mr. Joshi challenged me to say whether there was any particular type of skilled labour for which we could not get training in India. There is one, undoubtedly. That is, men in the Locomotive department of Railways. To be properly trained those men have to be trained in locomotive works at Home as there are no locomotive works and we cannot get qualified men here. But that is no reason why we should not take advantage of Mr. Samarth's Resolution passed recently in this House and send men Home for training in that branch of Railway work. In fact, we have already done so. I think that is all I have got to say and I do hope that the House will not pass this motion in this form. It will put us in very serious difficulties and it will put us in a very false position with these Companies, who after all are responsible for the running of these Railways.

**Mr. T. V. Seshagiri Ayyar:** Sir, I cannot help saying that the Honourable the Industries Member has been wide of the mark when he compared the working expenses in England with the working expenses here. He referred to the Acworth Committee's Report and said that in India a great deal more money might be spent upon the working expenses. (*Voices:* 'No, no, what he said was that the highest salary here was much lower than that paid at Home.) That is what I mean—that the highest salary here is much lower than the salary paid elsewhere.

**The Honourable Mr. C. A. Innes:** That is what the Report says.

**Mr. T. V. Seshagiri Ayyar:** That is what I am referring to. And now the point is this. The question is not that one person gets less here than what another man gets elsewhere for doing the same work. If you have got cheaper material here which you could employ, are you justified in saying that the same type of officer would have got elsewhere a larger sum of money, and therefore the expenditure is not extravagant? The question has to be considered from the point of view of the available material in this country. If you have got men whom you can employ on less pay, and who will be able to do the work on less pay, it does not come well from the mouth of the Honourable Member to say that, because the same kind of work would have been done at a greater cost elsewhere, therefore we have no reason to complain of the cost. We have every reason to complain and say that you have got material in this country which could have been employed at less cost to the country and, therefore, you are not justified in incurring this heavy expenditure. That is the point which I understood Mr. Kamat to make, and that was the point I was trying to bring out when some very kind friends insisted on interrupting and saying that my remarks were misconceived.

As regards the other question which has been raised, namely, the Indianisation of the Services, I think it is not a new question even to this Assembly. It was raised last year. It was raised in the old Councils very often, and the question now is what steps have really been taken to Indianise the Services. Have you done all that you can to bring in Indians into the Services so that the country may be saved the vast amount of expenditure which is being incurred on this account? I should like to say one word more and that is this. There has been serious complaints that for the same kind of work done by two officials, one a European or Anglo-Indian, and the other an Indian, more pay is given to the European or Anglo-Indian than to the Indian. There have been loud complaints on that matter. Can the Honourable the Industries Member explain satisfactorily why for the same kind of work done on the Railways the Indian is paid less and the European more. And if that is so, and Indians can be got for less pay to do efficient work, why do you go on employing Europeans on a higher pay? That is a point on which we should like to have some explanation. I have heard numerous complaints on that matter.

Sir, the Honourable the Industries Member has told us that he is going to consider this question of increase of pay; and that on the question about the 105 new posts he is not in a position to give an answer. If a Government Department is not able to tell us whether there have been 105 or 100 posts, where can we expect to get the information? A challenge has been thrown out in this House. It has been pointed out that 105 new posts have been created, carrying very high salaries, and the Honourable the Industries Member says he is not in a position to give information. I am frankly astonished at the attitude he has adopted. I hope he will treat the House a little better than he has done.

**Colonel W. D. Waghorn** (President: Railway Board): Sir, there are one or two points which have been raised by my Honourable friend, Mr. Seshagiri Ayyar, which, I think, I had better answer at once. He has raised a question on the point made in the Committee's report in connection with the increased cost of working our Railways owing to our employing Europeans. The remark, I think, made at the end of this paragraph may as well be read again:

> 'Perhaps we shall best make clear the situation if we say that the highest salary paid in the Indian Railway Service to-day is hardly more attractive than that of the head of a subordinate department on a big English railway such as the Deputy Goods Manager or outdoor Superintendent of the Line.'

To expect that at this price the Indian Railways will obtain the services of the right class of man is to expect the impossible, and so on. The point, however, is that we are trying to Indianise our staff as rapidly as possible, and I will explain further in what directions we are moving in this respect but we have not got the Indian staff at present.

This is the statement of the Acworth Committee in regard to the appointment of the European supervising staff that you obtain from England, and that is the question that I understand we are discussing now, namely, the increased cost in your supervising charges on account of increase of pay. This covers also the increase in the number of appointments. I have not had time to look through these figures. You say that there are 105 additional appointments over a thousand rupees. I think I can explain this : if you increase the pay of men on 800 or 900 by 10 or 15 per cent., which is probably the percentage of increase given, such appointments at once become appointments over a thousand rupees, but there are proportionately fewer appointments in the lower grades, that is below Rs. 1,000. I hope that I have made that point clear. As regards the increases, as explained by the Honourable Mr. Innes, they are on precisely the same scale as those which have been given to every department. There is nothing unusual in these increases. They were roughly 10 per cent. in the higher grades, and in the lower scales possibly they are from 15 to 20 per cent.

As regards Indian apprentices, I think the Honourable Mr. Innes has explained that on practically all our important Railways we have now got schools for these Indian apprentices equally with the Anglo-Indian and European apprentices.

**Mr W. M. Hussanally:** Apprentices as what, firemen and stokers or anything better ?

**Colonel W. D. Waghorn:** As mechanics. This class of men begin probably as cleaners. They would not go to schools for that.

As regards the question of the Indianisation of the superior staff, I shall give a few figures as to what we have done actually during the last year. We have six appointments for Assistants in the Junior Traffic Branch. Five of these appointments have been filled by Indians quite recently. As regards Company lines they are following the State Railways very closely. The Bengal Nagpur Railway have appointed two or three Indians to my certain knowledge. The East Indian have taken two. The Madras and Southern Mahratta Railway have taken one. Other Railways, I have reason to believe, are appointing Indian Traffic officers. I think I have explained to a sufficient extent how we are advancing. I can give more details but will not weary the House now with this matter. We are taking on no European Traffic officers on State Railways at persent.

**Mr. T. V. Seshagiri Ayyar :** What about equality of pay ?

**Colonel W. D. Waghorn :** As regards that point, there is no difference in the superior grades of officers. The Indian gets the same scale as the European. There is an overseas allowance which has been laid down for every branch of the service. (*A Voice* : 'Technical pay in addition'.) It is not for the Traffic officers. Technical pay is given on account of technical training in England.

**Dr. H. S. Gour :** Both the Honourable the Member for Commerce and Industries as well as the President of the Railway Board have not dealt with the question in the spirit in which Mr. Kamat moved his Resolution. Nor have they answered the various questions raised by the previous speakers. I will categorise them. A question was put to the Government Members as to how many vacancies occurred in the superior grades of Railway Service since the last Budget discussion and how many Indians and how many non-Indians were appointed to those posts. That was a question raised by Mr. Kamat. There was no reply. Nor was the question by Mr. Joshi answered, namely, how many Indians have been appointed to Railway non-technical posts. Only the other day when the Supplementry Estimates were under discussion I raised a question about the Indianisation of the Railway Services and we were given one of those pious hopes which Members of the Government very often give when they have nothing else to offer—that we are doing our very best and that the Indianisation of the Railway Services is now the accepted policy of the Central Government. But we do not want, Sir, words, but deeds. What have you done during the last 12 months ? That is a question which we should ask the Honourable Member opposite to answer. You will remember, Sir, that, when I referred to this question on the last occasion, the Honourable Member said that the question was sprung upon him by surprise and I hoped that he would come better prepared when the regular Budget discussion takes place. I find the Honourable Member as unprepared to answer that point to-day as he was on the last occasion. Last time he told us that in a few technical Services of the Railway, it is impossible to employ Indians. As he had then the last word, I could not make a reply. The Honourable Mr. Joshi has now pointed out that there are a large number of

Departments of Railway in which technical knowledge is by no means necessary. Surely, Sir, though the Honourable Mr. Innes has taken charge of the Railway Department only the other day, he could not be unaware of the fact that there are at least six Departments of the Railways in which technical knowledge, which is not available in this country, is not necessary. Take, for instance, the Traffic Department. Take, for instance, the Carriage and Wagons Department. Take the Audit Department, take the Stores, the Medical and the Printing Departments. Is it not a fact that almost all the superior posts are held by Europeans and Anglo-Indians ? How many Indians are employed in these non-technical Departments of the Indian Railways in which Indian talent might have been requisitioned both in the interests of economy and with due regard to efficiency. Has this been done ? We shall be told that we are starting a school here and a school there. We are holding night classes and we are holding day classes, but how long is this schooling to last ? We have not yet made a beginning. You keep on promising Members in this House year in year out, and, as soon as the Resolution of the year is accepted or passed, we find that the Resolution is not given effect to. Mr. Kamat has a just grievance against the Member in charge of this Department, and Mr. Kamat would be well justified in pressing his amendment to the vote, and I have not the slightest doubt that, if it is pressed, the motion will be carried. I think it will be carried not because it deserves to be carried to the full extent of the retrenchment demanded, but because, I submit, of the Members in charge of the Department not having come prepared to meet the just and reasonable wishes of this House and to assure them of the Government's earnest and sincere desire to further the cause of the Indianisation of the Indian Railway Services. Sir, this is not a question upon which we can linger long. This is a question which the Members on this side of the House regard as a burning question of the day. There is not a single non-official Member in this House who does not feel and feel strongly on this question. You will find, Sir, that in the course of the debate to-day, and later on when the capital charges will be submitted to the vote of this House, various questions will be raised with reference to the Railway administration policy of this country. We have been told that we have been paying the superior staff of the Indian Railways much lower than the employés on the English Railways are paid, and we have been further told, in a spirit somewhat apologetic, that these Railways are leased out to the Companies and are, therefore, under the management of those Companies. Surely, Sir, my friend could not be unaware of the fact that if they are merely managed by the Railway Companies, it is this House that is called upon to vote the supplies ; it is this House that is called upon to provide for the guaranteed interest. It is the Railway Board that controls the policy and sees that the policy which it lays down is given effect to. Consequently, it is idle to contend that, because you have leased out your rights to different Companies for management, therefore you have relegated your primary function of laying down the policy and seeing that that policy is adhered to and persevered in, in spite of the opposition of the Companies, in case such opposition should be forthcoming. Now, Sir, I ask the Honourable Member opposite what steps have they taken during these 12 months to press upon these different Railways the prime necessity of Indianising the Railway Service. They say : 'We formulated a Resolution and sent down to these Railway Companies a copy of this Resolution and asked the Railway Companies to fall in with the views of the Central Government'. You might just as well have pigeonholed this Resolution. What other steps have been taken, Sir, to see that the policy which you have enunciated has been given effect to by the various Railways concerned? And when you come here and ask us to give you a grant for Railway expenditure, what guarantee are you prepared to give us that you will carry out those conditions which we laid down, and subject to which this House will make you a grant ? We do not want, as I have said, the pious platitudes of other years. You told us last year that your policy was to Indianise the Services. That platitude has been repeated this year. We want, Sir, action, and action on the part of the Central Government which will be a guarantee of its earnest desire to Indianise the Service and to work them upon a purely commercial basis. We want, Sir, to put an end to the Railway bureaucracy. We want that the Indianisation of the Railway Service should begin from the top ; and Members of this House desire that they should have a place on the Central Railway Board, not as Members of the Central Advisory Committee, not as Members to advise the Railway Board upon matters which the Railways say 'we ask your opinion about', but we want to sit along with the Members of the Railway Board and to control the policy that Railways are kept up and manned by Indians, and the profits of which are contributed by the Indian passengers which number as much as 95 per cent. If the policy of the Government of India was to Indianise the Railways, what could be simpler than to place some Indian

Member upon the Railway Board? Has this been done? No. I submit, therefore, that you have not even carried out your own policy which you enunciated last year and of which copies have been sent out to the different Railway Companies. The first question, Sir, that I shall ask the Central Government is: 'Doctor, cure thyself: You must reform yourself, and then I submit you will be justified in asking the different Companies which work under you to introduce reforms on a similar basis'. (Hear, hear.) This, I submit, Sir, is a question upon which the Members of this House feel strongly, and it is upon this question that I ask the Government to concentrate their best attention and their best endeavour.

3 P.M. Then, Sir, we have been told that the working expenses on the Bombay, Baroda and Central India Railway are smaller than the working expenses on the Great Indian Peninsula and we have been told that the reason for it is that the Great Indian Peninsula Railway carries a heavier traffic than the Bombay, Baroda and Central India Railway. But that, I submit, is not the question which the Honourable Mr. Kamat raised. The question that he raised was that on the Bombay, Baroda and Central India Railway more Indians are employed and, therefore, the cost is lower than on the Great Indian Peninsula Railway. (*Mr. Kamat*: 'Yes'.) To this, my friend on the other side gave no reply, and that is the question that he raised in this connection. I submit, therefore, that none of these questions have been received, have been approached, by the two Honourable Members who have spoken from the opposite Benches in the right spirit: and I deprecate, Sir, a discussion which simply indulges in vapid generalities. We desire, we insist upon, action, and action, the report of which must be placed before this House for its decision. For instance, the last speaker in this discussion told us that there were 105 new appointments created carrying a salary of Rs. 1,000 or more. The Honourable Mr. Innes said: 'I really do not know; I have only taken charge recently, I do not know'. Colonel Waghorn also said: 'I do not know'. But it might be added that these are men promoted from the Rs. 800 or Rs. 900 grade to the Rs. 1,000 grade and, therefore, should they count amongst these 105 people. Is that the reply,—is that a reply with which we are satisfied? Is that the reply to the question put that 105 new appointments have been created? If my friends on the other side wanted to give a categorical denial to that statement, they were in a position to do so. They have not done so. And on that point again the Honourable Mr. Joshi asked, how many of these new appointments have been filled by Europeans and Anglo-Indians? There was no supply of any information, and it is once more argued, it might be this, and it might be that. But that is not what this House wants. We want a clear enunciation of principle, we want a clear statement, as to how far that principle has been adhered to and given effect to. And from the Honourable the Finance Member the Honourable Mr. Joshi asked as to how the Railway Board's finances are being scrutinised. Are they subject to the scrutiny of the Standing Finance Committee? If not, what non-official agency is employed for the purpose of scrutinising their expenditure? I have no doubt that the Honourable Finance Member will give a reply. But, so far as the two Honourable Members in charge of the Railway Departments are concerned, they have given no reply; and I, therefore, submit that not a single question which we on this side of the House raised has been replied to. If that is, I submit, the attitude of the Government, then I think Mr. Kamat will be well justified in forcing his Resolution to a vote, and the House will be justified in voting for that Resolution.

**Sir Deva Prasad Sarvadhikary:** Sir, I think it must be admitted that, of late, there has been a tendency to Indianise the Railway Services to a greater extent than before but not nearly enough has yet been attempted. I am not now speaking of those Departments of Railway Service regarding which there can be and ought to be no difficulty in providing suitable Indians because of lack of technical skill. There is considerable room for greater recognition of Indian claims which should come now. I am more concerned with the departments that do require technical skill where we want more recognition of Indian claims. The Assembly will be very much interested to hear from the Honourable Mr. Innes that steps are being taken for sending the right type of Indians to England for training. (*The Honourable Mr. C. A. Innes*: 'I said steps may be taken.') May be? I am very sorry; I thought steps were being taken. Well, Sir, I go down a degree or two lower than I began. Even when he does take the steps, however, I am very much afraid he will not get on much further because, when Indian students are sent and do go to England, they will be confronted with a solid wall of opposition unless effective steps be taken by the authorities to get behind it. There is hardly a Railway of the right type which will admit Indian students to the different branches of training worth having. (*Mr. N. M. Samarth*: 'In America.')

My friend cries, 'America'. There is no objection to that, but 'why not India' is the question that I should like to put. We have started schools and apprentice classes of a kind that do good work but had better not be mentioned in this concern. At Kanchrapara, Jamalpur, and some other places apprentices of the lower grade are being trained or attempted to be trained. Is there anything to prevent training of the higher type being attempted in India? That is the problem that I invite the Assembly to consider and to give the Department every help in obtaining means, for without it adequate Indianisation will be impossible in the departments that we are thinking of. No such plea, however, obtains in departments where technical skill is not necessary.

Sir, a passage from the Acworth Committee Report has been twice read. I came across another passage in the Minority Report which might probably be used as an argument for not Indianising the Railway Services if there was a desire to avail of the suggestion. This is what we are told at page 80 of the report:

> 'No country can prosper politically without industrial prosperity, and this cannot be secured by merely increasing the number of Government employees.'

Excellent reason according to some, for not thoroughly Indianising the Railway Services, because Government by increasing the number of its employees alone will not secure our political advancement, nor will contribute to the success of the reforms, which have also been incidentally mentioned. I wonder whether logic like that is operating in some minds, that has not yet been put forward as a good reason for not taking adequate steps for Indianising the Railway Services, lest our industrial prosperity should suffer from the further admission of Indians in their own country to the higher Railway Services. We are told that, unless higher pay than is at present given to the men at the top is provided, the right class of man cannot be expected to come out. Would, what is called here the right class of men, come out to any Service from England even if higher pay is provided? (*Mr. R. A. Spence:* 'None. Never have.') We generally recruit our Railway men from the men on the spot, who are promoted to the higher posts. Some of them are very good, like the present Agent of the East Indian Railway, who had seen service here. Very few men 'of the right type' would and can come out and you have, therefore, to content yourself with the best that you can get or train locally and Indians could have their chance. There is no reason why you should not make some reduction if you can possibly do so. But there is one factor in regard to the highly paid men on the English Railways which has to be borne in mind. There used to be and still is very active competition between the different Companies in the matter of securing the few men—really good men who were available, and fancy pays were given. But recently they have felt the difficulty of the situation and in attempting to solve some of the difficulty the Railways are combining. But these men will never come out here. And in India the higher Railway Service are really the Railway Board and the Commerce Member.

Sir, I think it was accepted by the Secretary of State that, with regard to the Indianisation of the Railway Services, 40 per cent. should be the figure. I do not know that the Departments can adduce any figures of Indianisation anywhere approaching this percentage. I do not want to take up the time of the Assembly long because we have a great many more motions to deal with before we finish the Budget, but I think it can be confidently stated that the percentage I have mentioned has not been approached and is not likely to be approached for many years to come, unless very active steps are taken.

I shall now leave that branch of the case and devote my attention for a moment to another branch which has not been mentioned by any previous speaker. The North Western Railway, the superintendence charges of which Mr. Kamat wants to reduce by 10 lakhs, has a feature of its own which I think the Assembly might now take into consideration. It is somewhat ancient history but will bear scrutiny. What is the character of some of the Railways connected with the North-Western Frontier? Most of them are known as strategic Railways and the losses incurred on them are swelling the total of the Railway losses. It is, strictly speaking, military expenditure, and I do not think it is fair, in taking Railway losses into account, that losses so occasioned should also be taken into consideration. For that reason, if for no other, whatever happens to the other items in this motion, this item about North-Western Railway should be passed.

I have been waiting to hear those who think that, while reduction ought to be made, a reduction to the extent of 73 lakhs should not be made. I do not know what will be said on the other side of the question. I believe there is no reason in favour of the less reduction. If any reduction

is to be made, no reduction less than 73 lakhs should be made out of the phenomenally large demand.

**The Honourable Sir Malcolm Hailey:** Sir, among the numerous missiles that have been directed this afternoon at the Government bench a few fell in my direction. I recognise one of them as having been directed against me in a previous discussion and I regret that on that occasion I omitted to mark it down and acknowledge it. I can deal with it at once; it relates to the extent to which Railway expenditure is submitted to the Standing Finance Committee. Hitherto we have not submitted Railway expenditure to the Standing Finance Committee. It largely concerns purely working expenses, and also, of course, the expenditure of Companies which are not (under the terms of their contracts) so directly under our control as Dr. Gour suggested. But for the future we shall be quite prepared to lay before the Standing Finance Committee details of new expenditure on State Railways except working expenditure, because a large amount of that expenditure we cannot control by budget or the ordinary provisions relating to expenditure control, and I mean purchases of coal and the like. But all questions relating to establishment must be laid before the Standing Finance Committee.

Another question I can also now deal with. Among the six branches of railway administration that Dr. Gour enumerated as those of a non-technical nature, for which recruits might be obtained in this country, he mentioned the Audit. Now that of course concerns my Department. Railway audit is under the Auditor General, and here we do obtain recruits almost entirely from this country. The Indian Audit Department is a purely Indian Department and we do not now take into it any recruits from Europe except on very rare occasions for special qualifications. A number of other questions have been raised this afternoon with which I am not of course competent to deal. I could not, for instance, deal with the question raised by Dr. Gour as to why we have not dismissed one Member of the Railway Board and appointed a non-official Indian in his place.

But I must point out in justice to my Colleagues, that it is exceedingly difficult at short notice to reply to a question as to the exact number of officers that have been added during the year over a very large service like the Railways. If as many as 105 superior posts had really been created on the Railways, a number of those, I assume, must have been created on State Railways. They would have to go before the Finance Department and before the Secretary of State. I can remember in the course of the recent year no such cases at all, and I am somewhat astonished, and I think my friends are equally astonished, at the figures which Mr. Joshi gave . . . .

**Mr. N. M. Joshi:** I will read some of them here if you like.

**The Honourable Sir Malcolm Hailey:** Mainly on Company lines?

**Mr. N. M. Joshi:** Yes.

**The Honourable Sir Malcolm Hailey:** Then I fancy that the explanation that Colonel Waghorn gave that the general increase in the rate of pay of superior officers has had the result of bringing a considerable number of officers within that thousand rupees limit must be the correct one. However, that is a matter which, of course, will be inquired into at once and we shall be able to give exact details to the House as to the number of posts which have been created. I only wish to point out that there is every excuse for officers, if in dealing with very large Departments like this, they are not immediately able to supply the full information necessary, and I think the House will give us credit for being able as a rule to supply immediately and without notice, most of the information they require.

**Sir Montagu Webb:** Sir, I hope that the House will reject this motion. If there is one Department more than another in which it would be extremely inexpedient and unwise for us to cut down the expenditure, it is the Department of Railways. We all know that owing to the wear and tear of war, the difficulties with which the Railways have had to contend, have been greatly increased. We know that Railway material is almost worn out in many cases, and that the number of locomotives and carriages now in the hospital is enormous, and altogether we know that Indian Railway Problems have never been so complicated as they are at the present moment. In the course of a few years we hope that these will be put right. But at the present moment the whole trading community of India is, if I may use the expression, on its hind legs complaining vociferously against the defects of the Railways. I think my friend, Mr. Seshagiri Ayyar, has not yet quite grasped the point which the Honourable Member for Commerce and Industries was making a few minutes ago with regard to the staff. It is

common knowledge among those who have anything to do with Railways that the level of pay in superior appointments in this country is considerably lower than that of similar appointments in any other great country; and what the Acworth Committee have pointed out is this, that owing to the scale of pay in the higher appointments being considerably lower, men of great capacity can secure very much greater pay in other parts of the world than in the Railways of India, and if we do not have the very best men at the top, we must expect to have inferior subordinates and inferior control down below.

**Mr. S. C. Shahani:** Better have.

**Sir Montagu Webb:** Now, I cannot at all accept the suggestion that it is better to run the Railway cheaply regardless of efficiency. On the contrary, I think if there is one mechanism of the State in which we ought to make certain that we have the greatest skill at our disposal in order to produce the best results, that Department is the Railway Department. I sympathise most fully with the ambitions and desires of those Members who wish to see the Railways Indianised, and I hope and I feel certain that Government are doing all in their power to carry out that desire. But I submit that it would be extremely unwise on our part if at the invitation of my friend, Dr. Gour, because the exact information with regard to the filling up of a certain number of appointments cannot be given at a few minutes' notice, therefore we should reduce the grant for 'General Superintendence' of the Indian Railways by a sum of Rs. 73 lakhs. As far as I can see at a glance this sum is over 10 per cent. I doubt if it would be possible to do it, but if it was possible, I should think it would be a most disastrous step to take; and, therefore, whilst I entirely sympathise with the efforts which certain Members of this House have made, to compel the Government to Indianise the Services more rapidly, I hope and trust, after this debate, and after the very vigorous expression of views which Dr. Gour has just given us, that my Honourble friend will withdraw his motion and allow the demand to pass.

**Rai Bahadur Bakshi Sohan Lal** (Jullundur Division: Non-Muhammadan): Sir, bearing in mind the overwhelming majority of non-Indians without university degree and qualifications in higher appointments in the presence of thousands of Indian graduates knocking from door to door for employment and of the importation of stores and materials from foreign country, I am constrained to support the motion in the hope that the small reduction (Laughter) recommended by the motion will at least have the effect of securing economy with efficiency and that every effort will in future be made to Indianise this branch, not only in the recruitment of officers but also in the purchase of stores and materials in India. It is this branch of the administration which provides preference and the higher salary for a European and Anglo-Indian than for an Indian, which means that the European or Anglo-Indian of lesser qualifications must be preferred to an Indian of higher qualifications. This has created some impression in this country that the Government policy is to provide employment to Europeans and Anglo-Indians who cannot compete with Indians in educational and University qualifications. This has led to a deterioration of the Public Services and introduced men who would have very little scruples for honesty and would indulge in bribery; corrupting not only themselves but also their subordinate Indians. (Hear, hear, and 'Shame'.) This grievance, whether fully or partially justified, requires to be removed not by words of sympathy only, but by deed. With these few words, I support the motion.

**Mr. N. M. Samarth:** Sir, I cannot understand the temper or temperament which is responsible for the expression of opinion that, although the Resolution does not deserve support, I am going to support it in a huff because the explanation given on the other side is not satisfactory. I deprecate such a temper and such a temperament. Either the Resolution is justified on its merits, or not. If it is not justified on its merits, say so plainly and vote against it. If it is justified, do by all means support it, but not because you are in a temper to do so. Now, Sir, the House will not mistake that I am not equally anxious to have the Indianisation of the Services in the Railway Department. Honourable Members will remember that I asked a series of questions upon the subject at the Simla Session, and I was keen on seeing that the requisite institutes and workshops are started in order to give technical training of the highest kind to Indians.

It is no use saying that Indians are at present in a position to occupy the positions and carry on the work of the technical experts who are engaged in the Railway Services to-day. Patriotism is quite all right, but at the same time, let us not be so patriotic as to think that we have got, when we have not got, the necessary technical skill for all these Services. (*A Voice*:

'Who said that ?') You never said that, but that was the implication of one of the previous speakers here. I am anxious that my countrymen should get the technical skill ; I am anxious that, if institutes cannot be started here on account of financial stringency, our young men should be sent abroad, say to America or to Berlin and let them get that skill. (*A Voice : Not* Germany') (Laughter.) Never mind, Germany. Wherever an Indian can get the requisite training, let him be sent.

Now, as to the number of Indians employed in the higher branches and the observations which Sir Deva Prasad Sarvadhikary read from the Report, I call attention to page 28 of the Acworth Committee's Report, paragraphs 182 to 184, where they deal with this question and recognise and sympathise with our view, that, as a matter of fact, it is a pity that Indians have not been sufficiently employed by railway managements up to now. They also recognise the present difficulty of employing Indians in the higher branches of the Service, and they have made certain suggestions as to how a greater measure of employment for them can be carried out. That requires money. In the last few sentences of that chapter in the report, they say :

'From the economic and commercial side, courses dealing, for instance, with the relations between railways and the controlling authorities on the one side and their customers on the other, are, as far as we know, non-existent.'

Further on they say :

'And two classes of railway men have to be catered for : the men of higher education and social position in training for the superior posts, and the much larger number who do not usually advance beyond the subordinate grades. We are also of opinion that the system of selection and training of the young men appointed as probationers in the Traffic Department on Indian Railways needs consideration. The whole subject is one which in our view should be in the special charge of the Railway Commission and we think substantial grants of money should be made for the purpose of developing such instruction.'

I, therefore, should have expected my friends to come forward with the demand that a substantial grant should be made in order that schools be started and higher instruction be given to Indians. I am, therefore, not going to support this motion for curtailment of working expenses by Rs. 73 lakhs. At the same time, let me make the position clear. I do think that there is scope enough for reduction in the total grant to a small extent. If, for instance, Appendix B is analysed, it will be found that the working expenses of certain railways are abnormal (Hear, hear) compared with the gross receipts that we expect. I will not trouble the House with detailed figures. I have worked them out, and the Honourable Member in charge will correct me if I am wrong.

Take the North-Western Railway. The total working expenses absorb Rs. 4 out of Rs. 5 of gross receipts. Take the Eastern Bengal Railway. Rs. 4 out of Rs. 5 of gross receipts are taken up by working expenses. The Bengal Nagpur Railway takes Rs. 4 out of Rs. 7. The Great Indian Peninsula Railway takes three-fourths, that is, Rs. 3 out of Rs. 4. Surely, to my mind, there is a great deal of scope for curtailment of working expenses on some of these railways. I trust that the Railway Department, the Honourable the Member for Commerce and Industries and the Railway Board will take precious care to see that the working expenses are so reduced as to give us a reduction of at least 25 lakhs which Sir Vithaldas Thackersey is going to propose. I should, therefore, expect this House to vote against the reduction of 73 lakhs ; but I trust that when the motion is moved by Sir Vithaldas Thackersey it will find support in this House.

**Mr. J. Chaudhuri :** Sir, it has been said that Indians are not available for higher technical appointments. I may inform the Commerce Member and the President of the Railway Board that there are now about nine Indians trained in England awaiting appointment in the higher Loco. Department, and if they care to employ them they are available. Over and above that, the evil of not employing them is this. I know a number of young men who are anxious to go out, at their own expense, to England, to get similar training ; but because such men are not being employed by Indian Railways, that discourages them from going to foreign countries, especially Great Britain, to get suitable training for the purpose. If the appointments in the higher grades of the Railway Department are thrown open to Indians, I am sure that a large number of educated Indians will annually go abroad to acquire the necessary technical training at their own cost, and it will no longer be necessary for Government to send out a few across the seas with a view to fill only a few selected appointments by such men. What we require and the country requires is an assurance that there shall be no racial bar to the higher appointments, technical or otherwise. I draw the attention of Members to this fact and hope that Government will give effect to a policy of Indianisation on these lines.

**The Honourable Mr. C. A. Innes :** Sir, before this vote for reduction is decided by the House, I should just like to make a few remarks with special reference to what my Honourable friend, Dr. Gour, has said. He charged me with having come to this House insufficiently prepared with details regarding Indianisation. He charged me also with having fobbed off upon the House certain platitudes.

As regards the first charge, when I saw that Resolution, naturally, being a practical man I said to myself : ' Here is a motion to reduce general Superintendence by 73 lakhs of rupees,' and I set myself to think ' What will happen if that motion is carried ? ' I set out to think of the arguments that should be used against that motion, and I also spoke to my friend, Mr. Kamat, and we had a little discussion. He told me that he meant to bring up this question of Indianisation, and we agreed that it required time to bring about.

Dealing first with the question whether this 73 lakhs should be cut out, I think the House will see that it is quite impossible. If the House wishes to enforce its views regarding Indianisation, surely the proper line to take is to make a small formal motion for reduction, and in that way the House would pass a vote of censure upon myself. To that I have no objection. But what is the use of saying, ' What have you done in the last year ? ' I don't carry those details in my head ; I regard this question as a question of the future, not as a question of what we have done in the past but what we are going to do. That is the way to look at this question. That paragraph of the Railway Committee's Report which Mr. Samarth just read out was discussed very thoroughly in another place, and it was on the basis of that paragraph that I gave a pledge that this question, which I regard as one of real importance, would be looked into.

**Mr. B. S. Kamat :** Sir, in view of the remarks made by the Honourable Member, I wish to withdraw this motion.

The motion was, by leave of the Assembly, withdrawn.

**Sir Vithaldas D. Thackersey :** Sir, I beg to move :

' That the demand under head ' Railways ' be reduced by Rs. 25 lakhs.'

So much has been said on various matters against the policy of the Railway Board that the House will forgive me if I present to it in a few words the other side of the picture. How much do we owe to this railway and how good an asset that railway is to the country ? (Hear, hear.) Only the other day, Sir, a Committee was appointed, I mean the Railway Finance Committee, by the Government of India on which the Members of the Legislative Assembly and the Members of the Council of State sat and the picture that was presented to us was such that those who have studied that report will not deny that the railways require every rupee that the country can share to rehabilitate it after its great starvation during the war. (Hear, hear.) The House will remember that that Committee has reported that 150 crores of rupees should be devoted during the next 5 years for this purpose. I am glad to note that Government have already appointed a Committee in pursuance of this Assembly's Resolution to find means to encourage industries in India so that as much as possible of 150 crores be spent in India. I hope I am not divulging a secret when I say that the Committee has already met and is on the high way to make a good recommendation. Then, again, Sir, we know that owing to the starvation during the war, railways are not able to cope with the present traffic. The industries suffer because of the want of capacity of the railways to carry coal and other merchandise. The railway expenditure in coal alone has considerably increased, not because there was no coal available but because coal could not be brought in time when it was required for railway purposes let alone for industrial purposes. Considering all these questions I think it is not right that we should cut down the railway expenditure to any larger extent than what may be absolutely necessary. Therefore, Sir, I have not made my proposal on 5 per cent. basis on 87 crores. It provides a reduction of only 25 lakhs of rupees out of the whole budget of 87 crores and I daresay that, if our Railway Board and the management of the different railways take pretty good care to see that the country's finances need a thorough retrenchment policy in every direction and that retrenchment must be carried out in railways administration also, I do think that in a large budget of 87 crores, 25 lakhs can be reduced without at all reducing the efficiency. With these remarks, Sir, I propose that only 25 lakhs be reduced in this demand.

**Mr. Jamnadas Dwarkadas :** Sir, I think the House is aware that I also have a motion asking for a reduction of 3 crores. I want to explain, Sir, how I have arrived at the figure of 3 crores. I do not know whether I can

really get the House to agree with me in the proposal for reducing the demand by 3 crores, but my object in moving this motion is to draw the attention of the Honourable the Finance Member to the item of Rs. 1,67,87,000 which occurs on page 27. There is also a non-votable item of Rs. 3,35,75,000 which I certainly do not touch in my motion. My object, as I have already said, in bringing forward this motion is to draw the attention of the Honourable the Finance Member to the fact that this item of Rs. 1,67,87,000, along with the non-votable item of Rs. 3,35,75,000, can be transferred to the Capital amount instead of remaining in the Revenue account. I know that in the years in which we had surpluses, namely, from 1900 to 1920 except one year 1908-1909—when we had a deficit, the item of annuities in the purchase of Railways has always been placed in the Revenue account. But I see no reason why, in a year of deficit and as a matter of principle, these annuities which really belong to the Capital account should be taken to the Revenue account. In this year of stringency I want to help you to reduce the deficit by 5 crores of rupees and my object is to draw the attention of the Honourable the Finance Member to this fact, otherwise I should be perfectly willing to support my Honourable friend, Sir Vithaldas Thackersey's motion

**Mr. K. C. Neogy** (Dacca Division : Non-Muhammadan Rural) : Sir, the first thing that attracts our attention when we come to the head of Railways is the large increase in working expenses. I hope the House will bear with me when I just glance through the figures . . .

**Mr. President** : We have just had a discussion on that. We have already spent nearly an hour and a half on this subject and I do not think the Honourable Member should go back on that discussion.

**Mr. K. C. Neogy** : I shall be as brief as possible. The precentage of working expense to gross earnings was 52·17 in 1911, 48·92 in 1912, 51·79 in 1913,-14 54·19 in 1914-15, 50·91 in 1915-16, 47·26 in 1916-17, 45·72 in 1917-18, 48·45 in 1918-19, 56·81 in 1919-20, 65·54 in 1921-22 and about 73 in the present Budget. It is undoubtedly true that certain factors which go to constitute the working expenses such as fuel and other things have gone up in price and, therefore, I do not propose to discuss these factors at any length. But let us look at the other factors. As we are all aware, in the latter years of the war, certain renewals and repairs had to be deferred because materials could not be brought out from abroad, and it is admitted in the latest report on the Railway administration that the proportion of working expenses has fallen during the later years of the war on account of the fact that both renewals and repairs were thus suspended and there had been a resultant increase in profits. And what has been the policy of Government in regard to this increase in profits, the so-called increase in profits that this accidental circumstance led to ?

Did they provide for any reserve fund on which they could draw this year ?

No.

'No provision'

the report says :

'is made for depreciation and the expense of renewals of worn out plant is met as part of the ordinary annual working expenses.'

Further, the report says :

'In the absence of a depreciation fund, the revenue that would ordinarily have been spent for this purpose has served to swell the surplus and the capital assets have progressively deteriorated.'

The result has been that these so-called excess profits have been distributed among the Companies which manage our lines and a certain portion has been swallowed up in the general finance of the country. I find a question was put on this subject to Mr. Stantiall, the Public Works Secretary of the India Office, by Sir William Acworth when he appeared before the Railway Committee in London. The question is this :

'I have seen it stated in various places that dividends have increased because it was impossible to spend money on renewals.'

The answer is :

'That is certainly the case.'

The next question is :

'Supposing a Company was in the habit of laying 1,000 tons of rails per annum and it could not buy the rails, has it divided the money ?'

The answer is :

'Yes, in some cases it has. Some of the Companies have made proposals to establish reserve funds, but the Government of India has been rather opposed to them.'

The next question is :

'Has the Secretary of State in any case approved of Companies dividing money which was required for the renewal of rails merely because the rails could not be bought ?'

The answer is :

'I am afraid that is so.'

Then, Sir, another witness, who was examined in India, Mr. Wathen, General Traffic Manager of the Madras and Southern Mahratta Railway, stated on this subject as follows :

'The largest part of this cost would have been chargeable to Revenue. The fact was that Government had been utilising as Revenue for general purposes money which should have been spent to keep railways up to standard.'

I think I have made it quite clear that, so far as the higher cost of renewals and repairs is concerned, it is the policy of Government, which is more at fault than the poor passengers who are now proposed to be bled for the purpose of meeting the increased working expenses.

Then, take another factor. Mr. Mumme, the Acting Agent and Chief Engineer of the Rohilkund and Kumaon Railway, made a startling disclosure before the Acworth Committee. It has startled me. I do not know whether it will startle the House. With regard to the payment made for rolling-stock requisitioned by Government for military purposes during the war, Mr. Mumme stated that :

Whatever money was received by the Company on this account was carried to reserve to replace the stock. Depreciation of the rest of the stock was written off out of Revenue. The State's share of the money received for requisitioned rolling stock was not carried to reserve but was absorbed in the finances of the Government.'

That is to say, we sold—because it comes to that—part of our railway stock for war purposes and we credited the general finances of the country with that amount and spent it for general purposes. We did not care to lay it by for future use and renewals, and this is how excess profits have been swollen and distributed between the companies and Government.

Sir Deva Prasad Sarvadhikary has already drawn your attention to another important aspect of the question, and I would briefly refer to that again. It is well known that the military section of the North-Western Railway has all along been a losing concern. It cost us something like 84 lakhs in 1919-20, and I think, judging from the general increase in expenditure all round, this year's net loss must be about a crore. Here we have a *camouflaged* item of military expenditure under the head 'Railways', and this also accounts for the rise in the working expenses.

Now, Sir, let us see what is the kind of control that the Government of India exercises over the financial policy of the Railway Department. It has been stated by Mr. Joshi, and it has been admitted by the Honourable the Finance Member to-day, that Railway proposals are not placed before the Standing Finance Committee. We have, however, been assured that in future certain proposals in connection with the State Railways will be placed before that Committee. So far so good.

I will now turn to the evidence which the Honourable Mr. Cook, the Finance Secretary, gave before the Acworth Committee. There you will find the illusory nature of the control that the Finance Department itself has so far been exercising over the Railway Budget. This is what Mr. Cook said :

'What happens in practice is that working expenses proper are admitted as inevitable apart from any difference between the Railway Board and the Finance Department as regards the reasonableness of estimates, as such, so that the Finance Department does not make any reductions under this head.'

So that the wholesome influence which the Finance Department exercises in the matter of economy and retrenchment over the other departments of Government, is absolutely absent, for all practical purposes, so far as the working expenses of the Railways are concerned.

**The Honourable Sir Malcolm Hailey:** Might I ask the Honourable Member to go a little further and read what the Acworth Committee itself said about the Finance Department and the Railway Department ?

**Mr. K. C. Neogy:** I am perfectly aware of that, but I thought that I might take Mr. Cook at his own word.

4 P.M.

Then, Sir, connected with this question of increasing working expenses under Railways is the question of the proposed increase of passenger rates.

It has been observed in the latest Report of the Railway Administration that 'the goods earnings have rather more than doubled in 20 years, while passengers have almost trebled in number and nearly quadrupled in earnings in the same period.'

It does not, therefore, seem to be any fault of the passengers that they cannot find the funds which the Railway authorities now expect from them. After dealing with this matter at some length, the Report observes :

'So far as passengers are concerned, the service given is the cheapest in the world as the following statement showing the average receipts per passenger per mile in different countries will demonstrate.'

Then we find certain statements given which show that the receipts per passenger per mile is less in India as compared with the United States of America, Holland, Canada, South Australia, Norway, Switzerland, New South Wales and Japan.

Sir, this question of the cheapness of fares cannot be gone into without at the same time considering the question of the capacity of the people to bear the burden which they are called upon to bear. Mr. Horace Bell, who was for some time the Consulting Engineer for State Railways to the Government of India, took a more correct view in the matter. He stated that the cost of travelling by rail in India, as compared with that of England at one time, had shown that for a journey of 100 miles by third class the fare averaged on certain Railways about 3*s*. 2*d*. taking the exchange at about 2*s*. to the rupee, while in the United Kingdom the charge for the same distance by 'Parliamentary' train was 8*s*. 4*d*. Then he observed that the income of the English artisan travelling third class, was ten times the income of the Indian worker.

**The Honourable Sir Malcolm Hailey:** Sir, I rise entirely, as I think, in the interests of the House. Would not this discussion be more proper to the Finance Bill if that Finance Bill ever comes before the House, than on a motion for the reduction of a grant?

**Mr. K. C. Neogy:** I do not think railway fares are included in the Finance Bill. If they were, I would have stopped here.

**Mr. President:** This is a vote of expenditure on Railways.

**Mr. K. C. Neogy:** Yes, Sir, but, as I have already said, the question of expenditure is connected with the question of finding more funds by the raising of fares. That is why I wanted to deal with this question.

**Mr. President:** There is no provision here for the raising of rates. The Honourable Member is dealing with working expenses. It is perfectly true that if you take a wide enough view of the subject you cannot disentangle the two. But from the point of view of procedure, they must be kept separate.

**Mr. K. C. Neogy:** I bow to your decision, Sir. It seems unfortunate that the travelling public, particularly third-class passengers, should be made to pay because you have to provide one crore of military expenditure in the name of railways, and because you did not carry out repairs when they were due and did not lay by any reserves for such future contingencies.

**Rao Bahadur T. Rangachariar:** Sir, in making this modest proposal on behalf of my Party to reduce this expenditure only by 25 lakhs our attitude as regards the increasing of railway rates has to be defined. We are certainly opposed to any increase in railway rates, so far as intermediate and third-class passengers are concerned, and, therefore, by our consenting to this grant, it should not be assumed that we thereby consent to any increase in railway passenger fares.

**The Honourable Mr. C. A. Innes:** Sir, I recognise the consideration of the House in proposing a reduction of only 25 lakhs in this very large Railway Budget, and I shall take this motion as a general indication on the part of the House that it is up to the Railway Department and up to the Company Railways to exercise during the coming year the most rigorous economy consistent with efficiency and the due running of their trains; and, in that view, I have great pleasure in accepting the motion. (Hear, hear.)

I do not think after what I have said I need take up the various points that have been raised by the different speakers. With reference to what Mr. Kamat said in his speech on the previous motion, and what Mr. Neogy has just said, I do recognise that this rise in the working expenses is a very serious matter. Mr. Neogy has given you the figures. It is not merely the working expenses that have risen; that was only to be expected; but the operating ratio—the ratio of working expenses to gross receipts. That ratio has risen in a very alarming way and that is a very serious matter. The only

thing I can say is that the case is exactly the same on Railways in other parts of the world. I have had an examination made in my office as to what the cause of this increase is. Since 1913-14, working expenses have risen by no less than 40 crores of rupees. In the same period—I have got the figures here—our Railway staff has increased from 633,000 to 750,000. That shows you with what a huge staff the Railways have to deal. Naturally, owing to the increase in the cost of living, their pay has had to be raised ; so we have not only an increase of staff but also an increase of pay. That accounts for 14 out of the 40 crores increase. Then we have an increase in the case of fuel. Indian fuel has gone up, and, owing to the shortage of Railway transport facilities, we have to buy fuel from abroad. That accounts for 6 crores. Then there is an increase on programme revenue. In 1913-14, it was 3 crores. This year we have to spend the enormous sum of 8 crores. The explanation of that has been correctly pointed out by Mr. Neogy, namely, that during the last few years the Railways have been allowed to run down, and we have to put money into them rapidly in order to bring them up to the mark. And finally, we have an increased expenditure of 12 crores on repairs due to the increased cost of all stores and workshop expenses chargeable to the repair estimates. As I have said, I recognise that this increase in working expenses is a serious feature and, in accepting this motion, we in the Railway Department will make it our business to see that rigorous economy is effected in every branch of the Railway administration.

The motion was adopted.

**Mr. President:** The question is that a reduced sum, not exceeding. . . . .

**Dr. Nand Lal:** On a point of order, Sir. I may point out that my motion which stands as No. 76 has not yet been touched upon. I stood up more than ten times and I was not given the chance of speaking.

**Mr. N. M. Joshi:** Am I to understand that all the other motions are withdrawn ?

**Mr. President:** Order, order. I understand there is a complaint now against what was represented to me as the general feeling of the House that the discussion should take place on the other motion for reduction, and that any points Honourable Members desired to bring forward could be brought forward under that general discussion. I understand that the Honourable Member objects to that now.

**Mr. N. M. Joshi:** I was only asking for information.

**Mr. President:** The Honourable Member spoke on the earlier motion, and, if he desired to raise any point, he could have done so then.

**Mr. Jamnadas Dwarkadas:** Sir, I made a suggestion. I drew the attention of the Honourable the Finance Member as to a possible reduction that could be made. If the Honourable the Finance Member has anything to say on that subject I should like to hear it.

**The Honourable Sir Malcolm Hailey:** With your permission, Sir, I should be glad to make a statement on the point. It was raised originally, I think, on the 8th instant in this House. It refers to the item which the House will find on page 27 of the printed book, namely, Annuities in purchase of Railways. If the House will look further on and refer to page 303, they will see that the total sum given there is 'Annuities in purchase of Railways Rs. 5,03,62,000.' That consists (as shown on page 27), of two items, Rs. 1,67,00,000, which represents the exchange portion, and the remainder Rs. 3,35,00,000, making up the total of 503 lakhs. Now that Rs. 5,03,00,000 represents the total sum payable by way of interest and also payable by way of redemption on capital from revenue. The actual sum payable by way of redemption of capital from revenue is Rs. 1,17,00,000. You will find the figure given down towards the bottom of the column. On page 303, the Rs. 1,17,00,000 is included in the Rs. 5,03,00,000 ; the rest is interest. The interest proper is, as I think everybody will admit, a real charge against revenue. That can hardly be gainsaid. The question which I think Mr. Jamnadas Dwarkadas desired to put forward was whether the Rs. 1,17,00,000 was not a proper charge against capital. Now what is the nature of that charge? Many years ago we acquired certain Railways, and instead of paying off the shareholders, we entered into a transaction which constructively amounted to borrowing money from them, that is to say, we agreed to pay them in the form of annuities. The sum provided annually for redemption of the capital payable is, we hold, in the nature of a sinking fund and according to all commercial practice would be rightly discharged by revenue. I think any commercial man here will agree that as a pure matter of accounting it is rightly charged to revenue and could not rightly be charged to capital. I

admit of course at the same time that, in view of our money difficulties, we might consider whether another course could not be taken with this particular sum but I hold that as a matter of accounts it has been rightly charged to revenue.

**Mr. Jamnadas Dwarkadas:** It might go to the capital account.

**The Honourable Sir Malcolm Hailey:** I would again point out the objection to taking it into the capital accounts, it is in reality a Sinking Fund . . . .

**Mr. P. P. Ginwala** (Burma: Non-European): Sir, has this House any power to pass a Resolution to this effect, that a particular Honourable Member do not speak for the rest of the day?

**The Honourable Sir Malcolm Hailey:** I hope, Sir, that that observation was not directed against me. But, if it were, I should accept the verdict of the House with resignation, and, I might also add, with gratitude.

**Mr. President:** The Honourable Member has only put a hypothetical question. I shall not answer him till he puts forward a practical proposition.

**Mr. N. M. Joshi:** I want to get information. I raised a question why certain details are given on page 6 of last year's statement and why they are omitted in this year s statement and there was no reply. I also want to ask another question, namely, why Rs. 16 lakhs spent on land given free to certain Railways has not been entered as capital account and has been entered in the revenue account. Land is capital and I do not know why land should not go to the capital account of the Government of India. These are my two questions.

**The Honourable Mr. C. A. Innes:** As regards the first question, regarding the form of the accounts, all I can say is that the Railway Department got the advice of the Finance Department that, owing to the need for economy, this form should be adopted. If the House would prefer any more detailed information to be given next year, it has only got to say so and the information will be given in the form in which the House wants it.

**Mr. N. M. Joshi:** If you want me to move a separate Resolution, I shall move my motion and put it to the vote. If you promise to give those details, I will not move.

**The Honourable Mr. C. A. Innes:** Perhaps it will suit the Honourable Member's views if I undertake to consider the form in which the Budget should be put forward next year with the Central Advisory Council.

**The Honourable Sir Malcolm Hailey:** Sir, I am afraid I cannot allow my Honourable colleague, Mr. Innes, to take that obligation on himself, since it devolves on me by Statute. But I may say a word of explanation to the House. We did our best to reduce somewhat the form of Demands for Grants not only on account of reasons of economy but also because we thought that we would be able to give the House information in a somewhat more compendious form. We have after somewhat consolidating the information, added footnotes explaining the reasons for changes. We have also published a memorandum explaining in a handy form the major items. In the simpleness of our hearts, we thought that the House would welcome what we had done; I expected indeed to receive a certain amount of congratulation from the House on the improvement which my friend, Mr. Aiyar, has effected. However, I will undertake if Honourable Members here would at any time kindly communicate to me suggestions in regard to any changes they think would be advisable in the form in which we present these somewhat voluminous statements, we shall do our best to meet them.

**Mr. N. M. Joshi:** What about my second question? It has not been answered.

**Rai G. C. Nag Bahadur** (Surma Valley-*cum*-Shillong: Non-Muhammadan): Sir, I want to move the motions standing in my name.

**Mr. President:** If one Honourable Member insists on his right, I must ask all to move.

**Dr. Nand Lal:** The motion that I stand up to move is:

'That the demand under the head 'Railways' be reduced by 10 crores.'

**Mr. President:** We have not reached that yet.

**Mr. N. M. Joshi:** I do not propose to move my motion but I want the information I asked for.

**Bhai Man Singh:** The motion I move is:

Working Expenses, North-Western Railway.

'That the provision for the Working Expenses of the North-Western Railway be reduced by Rs. 125.

My only object in proposing this amendment is to draw the attention of my Honourable friend, Colonel Waghorn, the President of the Railway Board, to the paucity of Sikhs in the North-Western Railway. I asked certain questions on the 10th January to which my Honourable friend gave a reply. There is only one Sikh as Assistant Traffic Superintendent and one as Claims Inspector and none as Traffic Inspectors, though the total of these posts is 40, 12 and 49, respectively. I want to draw the attention of the Honourable Member to this matter and to see that Sikh interests are given fullest consideration.

**Colonel W. D. Waghorn:** I think that I can deal with this question very shortly. I can assure the Honourable Member that, so far as Sikh interests are concerned, they will be dealt with equally with those of other communities.

**Mr. F. McCarthy** (Burma: European): I move that the question be now put.

**Rao Bahadur T. Rangachariar:** I appeal to my friends behind me not to press any motions unless they have anything in particular to bring out. We have already as a Party reduced the demand by 25 lakhs and we have carried our motion.

**Dr. Nand Lal:** We shall not discuss the same points which have already been discussed, but shall refer to those questions which have not been adverted to.

**Mr. President:** Do I understand the Honourable Mover (Bhai Man Singh) to withdraw his motion?

**Bhai Man Singh:** Yes. I withdraw.

The motion was, by leave of the Assembly, withdrawn.

**Mr. N. M. Joshi:** I asked a question and I am awaiting a reply.

**The Honourable Sir Malcolm Hailey:** I think I can give the Honourable Member the reply he desires. He refers, I think, to page 69. The reason why those charges are made to revenue and not to capital is that the land is given entirely to subsidised Companies. We have no capital account for these Companies, with whose general financial arrangements we have little or no concern. If at any time we take these Companies over and buy them out, then we shall, of course, start a capital account for them. But for the small items which now represent our payment to them, it hardly seems worth while to start a separate capital account. As the House will see, the amount expended in some years has been as small as 3 lakhs of rupees. In the current year it is expected that we shall spend altogether 16 lakhs of rupees. I think, Sir, that that is the actual explanation why it is put down to revenue. However, I will give the Honourable gentleman an undertaking that I will go further into the matter.

**Mr. F. McCarthy:** Sir, I move that the whole Demand be now put.

The motion was adopted.

**Dr. Nand Lal:** On a point of order, Sir, I submit that my motions for reduction have not been referred to.

**Mr. President:** I did not hear the Honourable Member say 'No' when I put the closure. The closure has just been carried unanimously.

The question is:

'That a reduced sum not exceeding Rs. 73,67,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Railways'.'

The motion was adopted.

## Irrigation, Navigation, Embankment and Drainage Works—including Expenditure in England.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 14,32,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st

day of March, 1923, in respect of 'Irrigation, Navigation, Embankment and Drainage Works—including expenditure in England'.'

**Rao Bahadur T. Rangachariar:** Sir, on reconsideration, the Party decides not to touch this Department.

The motion was adopted.

INDIAN POSTAL AND TELEGRAPH DEPARTMENT.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 9,46,63,000 be granted to the Governor General in Council to defray the charge which will come in course of payment for the year ending the 31st day of March, 1923, in respect of the 'Indian Postal and Telegraph Department'.'

**Mr. Pyari Lal Misra:** Sir, I beg to move:

'That the provision of Rs. 1,25,760, Rs. 1,29,300 and Rs. 1,63,930, for 40 Telegraphists, 42 *ex*-Military Operators and 89 Military Telegraphists, respectively, under the sub-head Presidency and District 'Presidency and District Offices, Radio Offices' be omitted. offices, Radio offices.

If we turn to page 21, Appendix A, Posts and Telegraphs, we find from the footnote that provision is made for opening new wireless stations and for the reorganisation of old stations. Now, Sir, I ask what necessity is there for these new wireless stations, for which you are going to provide 40 Telegraphists, 42 ex-Military Operators and 89 Military Telegraphists at a cost of over Rs. 4,18,000. We notice that in the year 1921-22 the cost was Rs. 18,000. Now the cost goes up to Rs. 29,760. Similarly, Military Operators, Rs. 8,000 and 129,000 and 89 Military Telegraphists, Rs. 123,000 and, so, Sir, it is going up every year.

I should like to know why it is that so many telegraphists are being provided for these new wireless stations. My particular point is that I am very anxious to know about these wireless telegraph stations,—the necessity for these telegraph stations, and, if I am convinced, I shall certainly withdraw my motion.

**Mr. G. R. Clarke** (Director General, Posts and Telegraphs): Sir, if we withdraw the three grants referred to by the Honourable Member, it means the total abolition of all the wireless telegraph operators in the country; that is, that none of our wireless stations can work at all. We would be retaining the stations and the supervising staff, but we would have no operators. I hardly think that the House is prepared to face a situation like that. The position at present as regards the staff of wireless stations is this. We have 130 wireless operators divided into three classes, military operators, *ex*-military operators, *i.e.*, men who have been soldiers, and ordinary civilian telegraphists. Well, we are doing our best to develop wireless telegraphy in the country and to use our wireless stations to carry a certain amount of our commercial traffic. To do that, we find that, in the larger stations like the port stations, such as Calcutta, Bombay and Karachi, and in the large inland stations like Peshawar, Allahabad, Simla and others—there are ten in all—we require 8 operators for each station. For the smaller stations like Port Blair, Victoria Point, Naini Tal and Poona, of which there are nine, we require 6 operators for each station working 24 hours. That gives a total of 144 operators. Then we want 11 operators to go about with portable stations and also as a reserve for leave vacancies, the 171 operators put down in the Budget are made up with the addition of 16 men required for two new stations. The only two new stations which I have proposed to erect during the coming year are a station at Bombay and a station at Calcutta. Now the reason why we want these two new stations is that the present stations at Bombay and Calcutta are completely occupied with ship traffic. They have to listen in for 24 hours, and while working ship traffic for 24 hours they find it almost impossible to devote any of their time to internal traffic; I think it is very necessary for both these places to have a separate ship station and to use their present stations for the internal wireless traffic of the country. Now, as regards Bombay we want to open a wireless outlet with Karachi. Karachi is unfortunately situated. It has to be served by very long overhead lines which at certain times of the year cause considerable trouble, due to natural causes such as salt deposit and other things, and I am very anxious, indeed, that Karachi should be brought into communication with Bombay by wireless working at high speed. We have tested high-power wireless, some of the gentlemen in the House have seen the tests of the apparatus put up in Metcalfe House—to show the value of this class of work. Well, those are the only two new stations which we are asking for. I am asking for a certain number of operators in order to make the wireless

stations in the country really efficient. Now with regard to the new operators, of whom we want about 40, we are opening a class in Karachi, where we have our Wireless Research Institute for Indian operators on the 1st April, and that class is to be started with 50 operators. I propose that all these 40 new operators, shall be taken from this class of Indians, who are going to be trained in Karachi many of whom we hope, will be ready by August or September. So we are really providing an opening for the first time for Indians in the Wireless Department, and in future in the Wireless Department in India the supervising staff will be promoted from the actual operating staff; men will work their way up, some of them we shall send Home to England if they are good men. In time we may be able to train men ourselves for higher appointments, and we do hope to develop a very large Indian section in wireless telegraphy and train men for this side of the work. That is one of my objects in asking for the extra number of operators during the coming year. The pay of the Indian operator is exactly the same as the pay of the European or Anglo-Indian operator. There is no distinction whatsoever in the Post and Telegraph Department. The pay is that of a General Service Telegraphist which begins at Rs. 80 and goes up to Rs. 225, and in addition, if a man takes up wireless, he gets Rs. 1-4 a day allowance. He also gets certain other allowances, such as house-rent.

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions : Non-Muhammadan) : What is the ratio of Indians and Europeans employed in this Department, the Wireless Department?

**Mr. G. R. Clarke:** At present in the Wireless Branch there are no Indians, for the simple reason that no Indians are available, but we are taking 50 Indians on the 1st April to train for this very work But we have now to depend on military and *ex*-military men, because they are the only men who know anything about wireless.

There are very few of our own men who know anything about wireless.

**Mr. K. B. L. Agnihotri:** From whom will you recruit your staff?

**Mr. G. R. Clarke:** From the 50 Indians who are coming in on the 1st April. I could not bring them into training before, as our training school has only just got going properly.

**Mr. N. M. Samarth:** Might I ask if the training imparted will be only mechanical or in the whole science and art of the subject?

**Mr. G. R. Clarke:** The men will be trained in the school in the whole science of wireless. They will be trained first as operators, as in the Telegraph Branch and those who show aptitude will be trained for supervising work and will subsequently become Deputy Assistant Engineers.

I do not think I need say more about this particular item. I am sure, after what I have said, that the house will accept these three demands for operators.

**Mr. W. M. Hussanally:** Might I inquire, Sir, if this wireless is for commercial purposes or for the military? If it is for the military, the expenditure ought to be met by that Department.

**Mr. G. R. Clarke:** The wireless in the country is being devoted entirely to commercial purposes, that is, the wireless of these stations to which I have referred, the stations which we are working. There is a certain amount of military work which is nearly all done by small military installations.

**Sir Deva Prasad Sarvadhikary:** I think, Sir, that we want considerable development in this connection in which we want to have Indians take their due part. This grant ought to be allowed unchallenged by the House as a whole.

**Mr. Pyari Lal Misra:** Sir, I beg leave to withdraw this motion, especially in view of the fact that Dr. Gour is going to move his own motion, also I will not move the rest of the motions standing in may name.

The motion was, by leave of the Assembly, withdrawn.

**Dr. H. S. Gour:** Sir, I move :

'That the demand under head 'Indian Postal and Telegraph Department, Working Expenses' be reduced by 10 lakhs'.

Indian Postal and Telegraph Department, Working Expenses,

After careful consideration we have decided to drop the original figure of 50 lakhs and limit retrenchment to only 40 lakhs. You will observe, Sir, that on the Indian Post Office and Telegraphs we spend as much as 12 crores of rupees. Consequently, a small reduction of 40 lakhs is in general pursuance of the policy of retrenchment which we desire the Government to pursue. We further wish to draw the attention of the Government to the complete Indianisation of the Indian Telegraph Department. The complaint of Members on this side of the House as regards the Indian Railways applies equally to the Indian Telegraphs. It has become a monopoly of the Europeans and Anglo-Indians, and we desire that these two great Services shall be nationalised. All that I have said in connection with the Indianisation of the Railway should, *mutatis mutandis*, be held to apply to the Indian Telegraph Department; and for that purpose I move that the reduction be made to the extent of 10 lakhs of rupees.

**Mr. R. A. Spence:** Sir, with reference to the remarks which have just fallen from my Honourable friend, Dr. Gour, I regret that the Honourable Member who so often speaks for his community in this House, my Honourable and gallant friend, Colonel Gidney, is not here to say a word on behalf of the Anglo-Indian community. But might I ask Dr. Gour whether the Anglo-Indian is not part of the great Indian national empire? He talks about nationalising the Services. Why should not the Anglo-Indian have a share in this nationalised Service? He is not a man out to get overseas pay or to draw large sums of money. He wants the same allowance made to him as the Indian has, and I hope that any scheme of Indianisation of the Indian Telegraph Department will not lead to the throwing out of the Anglo-Indian, who has done such good service in the past.

**Rao Bahadur T. Rangachariar:** Sir, I can sympathise with the spirit in which the Honourable Mr. Spence has thrown out the suggestion that the indigenous Anglo-Indian should not be thrown out of employment. But, Sir, this practice of employing Anglo-Indians, although they are Indians, in the Telegraph Department is based, not on the ground of providing employment for a certain class of Indians, but on the ground of distrust of the genuine Indian. When the Government of Lord Minto in 1908 passed their Resolution they justified this employment on the ground of policy, namely, that in times of emergency, in times of war, it is necessary to have a telegraph staff on which we can rely. This preference for Anglo-Indians is based on that ground. That is why we resent this attitude on the part of Government when they reserve nearly 75 per cent. of the higher posts of telegraphists for Anglo-Indians. By all means let our Anglo-Indian friends come in by the fair field of open competition. But what distinction exists at present? An Indian, before he can be entertained, has to be a graduate, while an Anglo-Indian need only have passed the entrance examination. That is the principle which we object to. I hope and trust that the Government of to-day will drop this distrust of my countrymen, which we resent most bitterly. It is that attitude of Government which we object to. By all means let there be any number of Anglo-Indians, but we want a declaration from the Government that they do not employ a particular class on certain political grounds, but only on account of their competency and in order to open an avenue of employment to Indians.

**Munshi Iswar Saran:** Sir, the Honourable Member from Bombay has really raised a very interesting and important question. (*A Voice*: 'But not necessary.') It is very necessary, for the reason that he, and others of his way of thinking, should clearly understand the attitude of Indian nationalists in the matter. We claim equality not only for ourselves but for Anglo-Indians and for *pucca* Europeans who are settled in this country. But what we say is this, do not give preference to any one community over another simply because it is a particular community. Sir, we would have raised this very objection if this entire Department had been filled, say by Hindus. I may assure my Honourable friend from Bombay that, if the policy of Government had been to fill the Telegraph Department with Hindus, as it has been filled with Anglo-Indians and Europeans, I would have still raised my voice of protest, because I consider that a policy of preference like this is injurious not only to the interests of any particular community but retards the evolution of nationality, to which we are looking forward with such great and eager interest.

**Mr. Jamnadas Dwarkadas:** Sir, I rise to support the motion moved by my Honourable friend, Dr. Gour. I appreciate the spirit of my Honourable friend, Mr. Spence, in taking up the cause of Anglo-Indians in the absence of the accredited representative of the Anglo-Indian community. I think what he meant was perhaps that, whatever demand we may make for the Indianisation of the Services, the Anglo-Indian must not suffer. (*A Voice*:

'Monopoly.') I think it is a very well meant remark, but I assure my Honourable friend, Mr. Spence, that the demand for Indianisation that we rightly make in this House is based not on giving a privilege to any community or on asking for any privilege for our own community, but it is for keeping the doors of these services open equally to all communities. That, I think, is the real significance of the demand for Indianisation that is made. If the Anglo-Indian proves equally capable, let him by all means enjoy the position that he wants to enjoy, but what we do protest and protest rightly against, is the exclusion of many communities and the exclusive privileges given to a particular community. Unfortunately, the Anglo-Indian community has all the privileges at the expense of other communities in India, and we certainly and justifiably demand that that exclusive right should no longer exist. (Hear, hear.)

**Sir Deva Prasad Sarvadhikary :** Sir, I should like to approach the question from the immediate Budget point of view. I take it, the object of this motion is to draw attention to the way in which expenses in the Department have been going up and which to a certain extent explains the unprecedented and unexpected losses with which we are met. From that point of view, I think a very pertinent question would be whether the expenses could not be kept down and the scale of expenses including pay be reduced where possible. I do not forget, Sir, that the scale of pay had to be increased in certain directions and in consequence of public agitation in that behalf. But, at the same time, we must not forget that the scale has in some cases been very high and that, I repeat, may be one of the reasons why we are met with the losses in the Budget which we have to make up. I fully endorse Mr. Iswar Saran's definition as to what the real Indian nationhood should be in the times ahead, and I do not think there can be or will be the slightest dissent to the proposition that he has laid down and that was endorsed just now by Mr. Jamnadas, a proposition that I had enunciated in this Assembly not long ago almost in similar terms. We all agree that all those who are worthy and qualified should come in. But we should always see that the expenses are kept down wherever and whenever possible. And that is what we are inviting the head of the Postal Department to do, as far as lies in his power. It was not till this very minute that I had ever spoken to him, when I wanted certain information I can, therefore, speak without bias. Knowing the working of the Department for the last few years so long as he has been connected with it, one is bound to admit that a marked and growing tendency towards giving Indians better employment and higher status is to be noticed. There is hardly a Department in the State Service where Indians are as well treated as in the Postal Department. (*A Voice* : 'Not in the Telegraph Department'.) In the Telegraph Department there has been a difficulty, which we must recognise and which I believe Mr. Clarke is trying to remove. But that was partly due to the peculiar circumstances of the service and the way it grew. For reasons that need hardly be gone into now, there had been a tendency practically to monopolise appointments for a particular community. I do not think we need go into the questions of political distrust or military expediency in this connection. That tendency is now nearing an end. (*Rao Bahadur T Rangachariar* : 'Hope so'.) I have reasons to know that in certain cases the tendency is distinctly at an end, and I am sure this is being done as an earnest of larger measures soon to be undertaken.

**Mr. P. P. Ginwala:** I move that the question be now put.

**Mr. Darcy Lindsay** (Bengal: European) : Sir, arising out of this motion for reduction of Post Office grant, I should like to refer to page 36, Appendix A and inquire of the Finance Member as to why particular entries there put down as Capital outlay should be financed on Revenue account. We have already charged to Capital account (I think I am correct in saying) Rs. 1,45,00,000 for renewal and extension of telegraph lines in particular. I find here an entry, Post Office buildings, Budget estimate Rs. 15,19,000. Surely, Sir, Post Office buildings must be chargeable to Capital account. I see from my office windows in Calcutta a very fine building arising behind the General Post Office, which will have cost several lakhs and I maintain that this is purely Capital outlay and ought to be so dealt with in this year's Budget. We find an entry 'purchase of Stores in India.' Stores is a very wide expression. I do not exactly know what it means. (*A Voice* : 'It means Rs. 22 lakhs this year'.) The item is Rs. 22,60,000 I take it that 'stores' means 'supplies', which are really Capital account. Workshop labour and other charges are also probably applicable to those very stores. We also find our old friend 'Adjustment for exchange.' Now, Sir, if this item, Rs. 36,45,000 'Adjustment for Exchange' is due to purchase of those stores and the stores belong to Capital account, I maintain that the adjustment of

exchange should also go to Capital account. When one makes a bad purchase on Capital account, that account has to bear the loss. We do not reduce the loss by putting the charge under a different head. With these few remarks, Sir, I commend to the Finance Member a revision of these particular items and I suggest their exclusion from the Revenue Budget and their inclusion in the Capital outlay to which they properly belong.

**Chaudhri Shahab-ud-Din** (East Central Punjab: Muhammadan): Sir, if my Honourable friend, Dr. Gour, meant by Indianising the Department to have it monopolised by Indians, as it is at present practically monopolised by the Anglo-Indian community, I would be the first man to dissent from him strongly.

But, as has been explained by some speakers, it is simply meant that the share which Indians deserve in that Department may be given to them, and I believe no Member of Government would disagree with that proposition as explained and put. There is no denying the fact that, in the Telegraph Department, the Indian element is yet in a hopeless minority, though, no doubt, in the Postal Department, the Indian element is now increasing and increasing rapidly.

But this is not the only complaint. There are concrete cases which I will place before the head of the Department separately. There are cases in which Indians, whose work has been appreciated, have actually been superseded by Anglo-Indians. There is a number of such cases. Therefore, so far as that aspect of the question goes, I am entirely with my friend, Dr. Gour, and those Members who have supported him.

The Postal Department is not only the most important Department of the Government of India, but the Department which is most economically worked. Those who have seen the stationery used by that Department, or those who have had occasion to refer to the Postal Guide, which is printed quarterly, will at once say that that Department is refused even the use of decent paper. Under these circumstances, the retrenchment even of Rs. 10 from the Budget of that Department will, in my opinion, be an act of injustice and not a vindication of principle. (Hear, hear.)

I may remind those Members of the House, who have never given thought to this point, that, before the War, ordinary telegrams used to be transmitted, at least from all first class offices, during the whole 24 hours. However, some time during the war, the orders were issued by the head of the Posts and Telegraphs Department, that ordinary telegrams were not to be transmitted for 24 hours, but only for 12 hours, and that order stands to the great inconvenience, I may add, of the commercial community of India.

But the only reason in my opinion, if I am surmising rightly, is that that Department cannot afford to employ sufficient establishment for that purpose. This is an additional reason why I would request the Honourable Mover to very kindly withdraw his motion and be satisfied with the expression of opinion which has been almost unanimously made by the House. I know that the sense of the House is with him and he may, if the matter is put to the vote, succeed in securing the retrenchment he seeks; but I would again, despite the heavy shake of his heavy head, request him not to press that motion but to very kindly withdraw it in the interest not only of himself but of the general public. Let me assure him that by that small retrenchment the Postal Department is not going to be paralysed. That retrenchment, which is nominal and absolutely insignificant, is nothing, and I hope my request will not go in vain.

**Mr. G. R. Clarke:** Sir, I should like to deal very briefly with the point that has been raised regarding Anglo-Indians in the Telegraph Department, and say a very few words about the increase in our expenditure.

The original Telegraph Department was Anglo-Indian very largely. The General Service of the Telegraph Department was at one time, about 25 years ago, almost confined to Anglo-Indians and the reason is to be found in the history of the Department. The country was then divided into circles, which before 1854 had very little to do with each other. The Post Office was run by separate Postmasters General in different circles but the Telegraph Service was quite apart and telegraph operators had to serve all over the country. In those days it was not easy to get a Madras man to come up to the Punjab or a Punjab man to go to Madras. There grew up in the Telegraph Department two different branches, one was known as the General Service for men willing to serve in any part of India and Burma, and the other the local service for men who served only in a limited area. Originally,

the area for the local service was very limited and was confined to a single province. This General service naturally attracted Anglo-Indians, who were far more ready in those days to travel than Indians. But in recent years we have been steadily taking Indians into the General Service ; and in a recent Committee presided over by Mr. Heseltine, the local service so called was abolished. There are a very few men left now in the local service, and we have established a service known as the Station Service, which is to comprise about one-fifth of the total staff of operators.

The Station Service men serve a single station such as Calcutta, Bombay, Madras and Karachi, they are not liable to transfer and the rate of pay is about the same as the local service rate of pay on the improved scale. The rest of the operators belong to the General Service and in transferring 400 Local Service men to the General Service, about 250 were Indians. There are no special privileges enjoyed by Anglo-Indians in the General Service of the Telegraphs. (Hear, hear.) The pay is exactly the same, the privileges are exactly the same, the type of work is exactly the same as done by Indians. We make our selection from the best men, whether Indian or Anglo-Indian.

There was one point raised by Mr. Rangachariar, which is a matter that does seem anomalous in our recruitment of these men. We recruit Indian graduates, because Anglo-Indian graduates are very hard to get. When an Anglo-Indian graduates, he does not care to come and work as a telegraphist. We try, however, to get men who have passed the Higher Cambridge Local Examination. We train these men, examine them carefully and if they do not give satisfaction we reject them summarily; so that we do insist on getting men of a certain type, men who will be good enough for our work. I would like once for all the House to understand that there is no racial distinction of any kind now in the Telegraph Department nor in the Post Office. There never has been. There is no differentiation in the rates of pay in any part of the Post and Telegraph Department. Among our Engineers there is the overseas allowance, which is the only difference that exists, but I don't know how long that is going to last.

5 P.M.

At this stage Mr. Deputy President took the chair.

We are steadily endeavouring now to get more, we are not only endeavouring, but we are actually getting more Indians every day into the higher posts. We have got now two Indian Postmasters-General and we may have a third one before long. So you will see that I really do not think the charge of keeping Indians out of Government service can ever be levelled against the Department of Posts and Telegraphs, on the contrary we are doing our best to encourage them to come into the Department. In view of these remarks, I hope you will agree that the Indianisation of this Department, of which over 95 per cent. are Indians, is almost complete. The increase in cost that is pointed out cannot be helped. Every business in the world has increased its cost of working. Our costs have gone up from 6 crores to 9,80,00,000. We cannot help it. I do not suppose that there is a business anywhere in the world whose working expenses have not gone up. We have done our best to keep expenses down, but, as Mr. Rangachariar knows, about 2 crores have been spent on the pay of the subordinate staff and 66 lakhs have been debited against the Department as interest on fixed capital, which has never been taken into account before last year. This accounts for 2,66,00,000 straightaway, a sum which we had possibly power to curtail. The rest of the increased charge is the ordinary increase in expenses which have to be met by everybody. I hope in these circumstances you will agree to the demand which we have made and which has already been very very heavily cut down by the Finance Department, to an extent of 100,00,000. The demand that is made is only a fair one for the efficient working of the Department.

*An Honourable Member* : I move that the question be now put.

**Mr. Deputy President:** The question is:

'That the demand under head 'Indian Postal and Telegraph Department, Working Expenses' be reduced by 10 lakhs'.

**Mr. Darcy Lindsay:** Sir, I want a reply from the Honourable the Finance Member.

**Mr. Deputy President:** I am afraid you are too late for that.

**The Honourable Sir Malcolm Hailey:** He can have his reply when the substantive question comes up.

The Assembly then divided as follows :

AYES—46.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bajpai, Mr. S. P.
Barodawala, Mr. S. K.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Das, Babu B. S.
Das, Pandit R. K.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Nayar, Mr. K. M.
Neogy, Mr. K. C.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Samarth, Mr. N. M.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.

NOES—37.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Bagde, Mr. K. G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingham, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
McCarthy, Mr. F.
Mitter, Mr. K. N.
Percival, Mr. P. E.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Zahiruddin Ahmed, Mr.

The motion was adopted.

**Rao Bahadur T. Rangachariar:** I merely formally move this motion* about the Indo-European Telegraph Department, more to elicit information about the nature of the arrangements which now exist between the Home Government and this Government and also to ascertain what economy can be made in that direction.

**Colonel Sir Sydney Crookshank** (P. W. D. Secretary): Sir, the demand under this heading stands, as will be seen by a reference to page 30 of the book of Demands for grants, at Rs. 16,40,000, and in this connection I may perhaps inform the House that the position of the Indo-European Telegraph Department is rather an unusual one, and that this Department is a source of considerable revenue to the Government of India. On a capital expenditure up to the year 1918-19 of $1\frac{1}{4}$ million pounds the dividends to the Government of India amounted to no less than 14 per cent. Last year, owing to the position in Mesopotamia, and trade depression generally, the interest fell to 11 per cent. In any case, this is a case of a gift horse, and, as such, I hope the Honourable Members of this House will not look it too closely in the mouth.

**Mr. Deputy President:** Order, order. I take it that the Honourable Member is referring to Mr. Rangachariar's motion No. 94.

**Colonel Sir Sydney Crookshank:** I understood Mr. Rangachariar to have moved his motion No. 98 on the Agenda.

**Mr. Deputy President:** Does the Honourable Member withdraw his motion No. 94?

**Rao Bahadur T. Rangachariar:** That is withdrawn: I am not moving it. Nos. 94, 95 and 96 all go out.

**Mr. Deputy President:** The question is :

'That a reduced sum not exceeding Rs. 9,36,63,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of the 'Indian Postal and Telegraph Department'.'

*'That the demand under the head 'Indo-European Telegraph' be reduced by Rs. 82,000.'

**Mr. Darcy Lindsay:** Am I in order in asking for a reply to my question ?

**The Honourable Sir Malcolm Hailey:** I have also been seeking an opportunity to reply to the Honourable Member, for experience has made me nervous of omitting to give replies to questions directed to me. The question of the Honourable Member referred to certain figures on page 36 of Appendix A. He desired to know why we did not debit post office buildings to Capital rather than to Revenue. He also desired to know why certain stores and the adjustment for exchange on those stores were not debited to Capital instead of to Revenue. Now the House will remember that, last year, on the motion of Mr. Samarth, we undertook to debit certain telegraph expenditure to Capital, our proposal at the time was to debit one crore of rupees. Subsequently, when we went into the case, we found ourselves able to debit Rs. 1,28,00,000 to Capital, and in the present year we are debiting about a crore and a half of rupees to Capital. We have not yet entirely concluded the investigation, to which I have more than once referred, as having been entrusted to the chartered accountants, into the exact nature of our distribution between Capital and Revenue, but take a crore and a half of rupees which we propose to take to Capital is mainly on account of telegraph buildings, telegraph lines and telegraph apparatus. So far, we have not placed any post office expenditure to Capital. The case with regard to the investigation of post office expenditure has not proceeded so far as that in regard to telegraph expenditure.

It is for that reason that we have not this year put down any post office buildings to Capital. But as regards Stores, I can of course give a more complete reply. If you will cast your eye lower down the page you will find a debit to Capital of one hundred and two lakhs. That includes not only stores purchased in India but those bought in England. We also charge to Capital a proper share of the exchange adjustments on those stores. I hope that reply will satisfy my Honourable friend. All stores that can properly be debited to Capital are so debited; that is the case as regards Telegraphs; and, as I have already said, we are examining the items of post office expenditure, and as soon as our investigations are complete we shall, after consulting the Auditor General, be able to take a more definite line on the subject.

**Mr. J. Chaudhuri:** May I ask the Honourable Member, if these stores were debited to Capital account, would not depreciation have to be written-off from year to year ? In the case of buildings, of course, it is different. There large expenditure is necessary and we may raise the capital. Loan will eventually be paid out of the Sinking Fund. But in the case of stores, which are more perishable, it is doubtful whether we should debit them to Capital, unless we provide for depreciation. So may I ask the Finance Member whether it will not be proper to debit the stores to Revenue account rather than to Capital account, unless we show in our accounts an annual debit on account of depreciation in the stores.

**The Honourable Sir Malcolm Hailey:** The stores which are debited to the Capital account are only those which are utilised for Capital purposes. They include articles such as telegraph lines and posts and other apparatus which has a long life. However, the question of depreciation is one of those items which we shall examine further when we are considering the report of the Chartered Accountants.

**Mr. Deputy President:** The question is:

'That a reduced sum not exceeding Rs. 9,36,63,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for the 'Indian Postal and Telegraph Department'.'

The motion was adopted.

INDO-EUROPEAN TELEGRAPH DEPARTMENT.

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 16,40,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'the Indo-European Telegraph Department'.'

**Rao Bahadur T. Rangachariar:** Sir, I have already said what I had to say out of place. I now repeat the same thing:

'That the demand under the head 'Indo-European Telegraph Department' be reduced by General reduction. Rs. 82,000.'

**Colonel Sir Sydney Crookshank:** Sir, to resume my discourse. As I pointed out to the House, this is somewhat in the nature of a gift horse and we must not look into its teeth too narrowly or too closely. The profits derived from

the Indo-European Telegraph Department fell from 14 per cent in 1918-1919 to about 11 per cent. in 1919-1920. The position, which is rather an extraordinary one, is that the Indo-European Telegraph Department is controlled by the Secretary of State and, therefore, its position *vis-à-vis* the Legislative Assembly, is naturally somewhat of an anomaly. Of late we have been looking into the position and have considered possible alternatives in dealing with this Department, one of them being that my Honourable friend, Mr. Geoffrey Clarke, should take it into the Posts and Telegraph Department. But there are a great many objections to this, which I need not enumerate here. Another alternative was to lease it out to the Indo-European Telegraph Company who already possess very large interests in Persia, and carry on the telegraph lines beyond Teheran and Fao. The Indo-European Telegraph Department, I may explain, controls the cables up the Gulf and by land lines to Teheran and Fao. These alternatives are under consideration now by the Government of India. The existing arrangements are that the Secretary of State controls the Department and submits his budget to us, which is in due course examined in my Department and submitted to the Standing Finance Committee. In this particular case, I think my friends in the Standing Finance Committee will bear me out when I say that very great reductions indeed were carried out by them, that is to say, they cut out all the new items that had been put in by the Secretary of State and only sufficient has been left to carry on the duties of the Department. If Honourable Members will kindly look at page 62 of Appendix A under the details of estimated receipts in England, they will see an item there of minus Rs. 15,00,000. That, I may point out to the House, is the share of the joint purse which the Foreign Office make over to the Secretary of State. This large windfall as will be noticed varies anywhere between 21 and 15 lakhs per annum, and it will also be observed that the net revenue on account of this Department amounts to no less than Rs. 9,50,000. The financial position is, therefore, as all commercial Members will agree with me, an extremely satisfactory one. Since the Secretary of State entirely controls the Department, it amounts to this that the Government of India without even so much as, so to speak, getting out of bed simply put out their hand and grasp a considerable annual revenue from the working of this Department. I would therefore suggest to the House that they should leave the account as it stands and not accept my Honourable friend, Mr. Rangachariar's demand for a reduction by no less an amount than Rs. 82,000, which, by the by, I notice he has not formally moved.

**Rao Bahadur T. Rangachariar :** Sir, in view of the statement made by the Honourable Member (Sir Sydney Crookshank) I do not press my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. Deputy President :** The question is :

'That a sum not exceeding Rs. 16,40,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for the 'Indo-European Telegraph Department'.'

The motion was adopted.

**Mr. R. A. Spence :** Sir, I move that the consideration of Demand No. 13 be postponed till to-morrow.

INTEREST ON MISCELLANEOUS OBLIGATIONS.

**Mr. Deputy President :** I am afraid that is out of order as we are now to take up No. 12.

The question is :

'That a sum not exceeding Rs. 3,23,63,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for 'Interest on Miscellaneous Obligations'.'

The motion was adopted.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Thursday, 16th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE BUDGET—LIST OF DEMANDS—*contd.*

### General Administration.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 76,77,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'General Administration'.'

**Mr. M. G. Mukundaraja Ayyangar** (Madura and Ramnad *cum* Tinnevelly: Non-Muhammadan Rural): Sir, I beg to move:—

Sumptuary Allowance of the Governor General.

'That the provision of Rs. 40,000 for Sumptuary Allowance of the Governor General be reduced by Rs. 100.'

If Honourable Members will kindly turn to page 32 of the blue book for Demands, they will see an item of Rs. 40,000 under the head 'Sumptuary Allowance of the Governor General', and another item for Rs. 1,56,000 under the head of expenditure from Contract Allowance. It is not my object in moving this motion and in referring to the sum of Rs. 1,56,000 under the head 'Expenditure from Contract Allowance', that the household of His Excellency should be starved, nor is it my desire, Sir, that His Excellency the Governor General should be prevented from keeping a hospitable table for the distinguished and honoured guests of His Excellency. Sir, believe me when I say that nothing is further from my thoughts than that. But my object in moving this motion is to obtain some information as to what exactly is the difference between Sumptuary Allowance and Expenditure from Contract Allowance, and what is the sort of expenditure each of these two demands is intended to cover. Further, I venture to think that it will also be useful for this House to know the class of persons benefited by His Excellency's hospitality at the expense of the poor Indian tax-payer. (Hear hear.)

**The Honourable Sir Malcolm Hailey** (Finance Member): The Honourable Member has stated that it is not his intention to criticise the provision which is made for the Sumptuary and Contract Allowances of His Excellency the Governor General; it is only to obtain from me certain information on the subject.

With regard then to his first question as to the difference between the Contract and Sumptuary Allowances, I may say that the Contract Allowance is an audited allowance for certain specified heads of expenditure connected with the maintenance of the Viceregal establishments among which are included stable contingencies, stationery, wages of certain household servants, pensions for the same, liveries, lighting and fans, motor cars, advertisements and library. That, as I said before, is audited expenditure. The expenditure classified as Sumptuary Allowance is a lump grant for His Excellency's entertainment expenditure. That is not audited.

The Honourable Member asked me further what class of persons benefit by the hospitality of His Excellency the Governor General. I do not believe that it will be the desire of the House that I should give any answer to such an inquiry.

**Mr. M. G. Mukundaraja Ayyangar:** Sir, in view of what the Honourable the Finance Member has said, I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. P. P. Ginwala** (Burma: Non-European): Sir, I beg to move:

2nd Personal Stenographer to the Governor General.

'That the provision of Rs. 6,000 for a 2nd Personal Stenographer to the Governor General be reduced by Rs. 100.'

This motion is among a series of motions standing against my name, with reference to this particular grant. The object of these motions is not retrenchment, you will be glad to hear, but to bring under some sort of review

the general administration of the Government of India during the last 12 months, especially with reference to the Government of India Act. It is my purpose to point out how this Act has in practice been worked, and whether the kind of constitution that it was intended by Parliament that we should have has in practice been given to us, judging from the way in which the Government of India Act has been administered. This has become all the more necessary because of the recent pronouncement of the Prime Minister in one of the debates in the House of Commons recently, that if there is a failure of these Reforms that failure should not in any way be made attributable to Parliament or to the Government of India. Under these circumstances, we want to prepare ourselves to meet that argument in advance and to point out that if the Reforms become a failure, and some people think there are indications to some extent that they are tending to become a failure, that that failure should be made attributable to Parliament or to the Government of India and not to this House or to the people of India (Hear, hear). The Government of India, as we all know, consists of the Governor General in Council, and it is therefore appropriate for us to examine how the authority of the Governor General has been exercised under the Government of India Act. Now I beg the House to remember that, when I refer to the Governor General, I am not making any reference at all to the distinguished statesman who happens to hold in his hand the destinies of this country, but only wish to discuss the Governor General as he appears in the Government of India Act. I shall give one or two reasons why I feel that the Governor General, whether in his legislative capacity or in his executive capacity, is encroaching upon the privileges of this House

**Mr. President:** Is the Honourable Member moving the reduction of the provision for a 2nd Personal Stenographer to the Governor General?

**Mr. P. P. Ginwala:** Yes, Sir. I will tell you why. Have you read the footnote, Sir?

**Mr. President:** Does the Honourable Member draw no distinction between a Personal Stenographer to the Governor General and the Governor General?

**Mr. P. P. Ginwala:** I am trying to point out that a 2nd Personal Stenographer has been found necessary owing to the pressure of work, and I say that this pressure of work is due to his exercising more powers than the Government of India Act allows him to exercise.

**Mr. President:** I fear the Honourable Member will have to exercise his ingenuity a little further before I can rule him in order.

**Mr. P. P. Ginwala:** Sir, my contention is this, that the Governor General is exercising powers at present under the Government of India Act which he is not intended to exercise, and that is the reason for the increase of his work.

**The Honourable Sir Malcolm Hailey:** I would like to be allowed to ask the Honourable Member whether he thinks the Governor General exercises those powers through his 2nd Personal Stenographer?

**Mr. P. P. Ginwala:** Well, yes. He uses his Stenographer to pass orders on files with which he has to deal. As I say, it is a contravention in my opinion of the Government of India Act.

If you like, Sir, I shall convert it into a reduction of Rs. 100 on the whole grant.

**Mr. President:** The Honourable Member cannot embark upon a constitutional discussion on a motion to reduce the pay of a Personal Stenographer by Rs. 100; that is perfectly clear.

**Mr. P. P. Ginwala:** My contention is this: that, as I have pointed out, this additional Stenographer is required for this purpose and I want to point out to the House that if he did not create this additional work, this additional Stenographer would not be necessary.

**The Honourable Sir William Vincent** (Home Member): Sir, it is the misfortune of the Home Member to have to do any work that cannot be definitely allocated to and accepted by some other Department. For this reason only it is my business on the present occasion to defend the grant, which really concerns His Excellency's personal establishment. But I must confess that, when I saw notice of a reduction in the grant for the pay of a second Stenographer, I little expected that we should have an attack of the character now delivered on the exercise of certain functions by His Excellency; and I think the House will agree with me that, if it was proposed to make an attack of that

kind it ought to have been done in a more open and frank manner than has been adopted. The Honourable Mover said that I should be glad to hear that he did not propose to cut the pay of the officer or to effect any retrenchment. Well, Sir, it is a matter of complete indifference to me whether the pay of this unfortunate second Stenographer is cut or not, though such a reduction would certainly be an unreasonable act on the part of this Assembly. Again, Sir, I submit it is not reasonable to connect a demand for reduction of this nature with the Reforms or the failure of the Reforms, and I shall simply explain why in fact this extra Stenographer is necessary. The fact is that it is His Excellency's pleasure to shun delights and live laborious days and make others do so. I am one of those who suffer, but I am fortunately of a vigorous constitution. . . .

**Mr. P. P. Ginwala:** Is the Honourable Member replying to my case? I have not finished this point.

**The Honourable Sir William Vincent:** Sir, I am also fortunately in a position to pass on my work to other people, at least a great deal of it, and do as much as I can in that way. The first Stenographer unfortunately was not in a position to do that; he had nobody under him and he broke down under the burden of work which His Excellency laid on him. His Excellency works early and late, the work of Stenographer under him was too much for one man, and so we had to put an extra man to help him; and I trust that the House will accept that as a reasonable explanation of the demand which the Government is now making.

**Mr. P. P. Ginwala:** I was saying when I was precluded from alluding to it by the Chair, I was just showing in what way the work has increased at all. My Honourable friend has already replied . . . .

**Mr. President:** The Honourable Member is proceeding on an entirely improper course. I gave him one hint, but if he persists, I must ask him to desist altogether.

The motion was negatived.

Miscellaneous Contingencies, Executive Council.

**Mr. P. P. Ginwala:** Well, Sir, I will continue my argument now. It is my purpose to show, Sir, under this amendment that the Governor General in Council have abdicated their authority in favour of the Governor General by allowing him to legislate by Ordinance when they ought to have legislated by Bill; and I am glad this objection was taken by my Honourable friend opposite, the Honourable Sir William Vincent, because it just shows that if they can they will shut out this discussion. In fact, I expected an objection from the Honourable the Home Member, but I am going to defeat him by arguing the same point under some other head. Now, Sir, in this country legislation is expected to be initiated and carried through by the Governor General in Council . . . . .

**Mr. F. McCarthy** (Burma: European): What is the motion before the House, Sir, may I ask?

**Mr. P. P. Ginwala:** The motion is:

'That the provision of Rs. 50,100 for miscellaneous contingencies under sub-head Executive Council be reduced by Rs. 100.'

I should like to take this together with next motion, *viz.*,

'That the total demand under sub-head Executive Council be reduced by Rs. 100.'

**Mr. President:** The Honourable Member can only have one reduction at a time and I should like him to explain to me what his intentions are.

**Mr. P. P. Ginwala:** I shall take this one then. Now, Sir, as I say, the Governor General in Council have abdicated in some directions their legislative authority in favour of the Governor General; and I will refer the House first of all to the Martial Law Ordinances in Malabar. I do not . . .

**Mr. President:** Order, order. Is 'Martial Law Ordinances' one of the Miscellaneous Contingencies?

**Mr. P. P. Ginwala:** It was a very miscellaneous one indeed, Sir . . .

**Mr. President:** I admire the Honourable Member's persistence, but it is entirely out of order.

**Mr. P. P. Ginwala:** All right, Sir. I will withdraw this motion and proceed with the next one.

The motion was, by leave of the Assembly, withdrawn.

**Mr. P. P. Ginwala :** Now, Sir, I purpose I may continue my argument on those lines, because my motion is :

Executive Council. ' That the total demand under sub-head Executive Council be reduced by Rs. 100. '

**The Honourable Sir Malcolm Hailey :** May I rise to a point of order, Sir. That sub-head consists of three items, one of which is non-votable ; the other refers to travelling and other allowances and the third to miscellaneous contingencies. The motion in regard to the third has already been withdrawn, and I put it to you that the only other demand which can be discussed is simply that of travelling and other allowances.

**Mr. President :** No part of the vote has yet been put to the Assembly and therefore both Travelling Allowances and Miscellaneous Contingencies are open. The Honourable Member is entitled to move the reduction in the total demand ; but when he tells me that he proposes to proceed with his previous argument, I must warn him again.

**Mr. P. P. Ginwala :** Now I want to know whether it is possible for us under any of these motions—of course the others are ruled out of order—to bring under review the conduct of the Executive Council with reference to the Government of India Act. It is a question of principle which, I submit, can be raised on a motion for reduction ; and that is my purpose and I am trying to point out how the Government of India Act has been administered by the Executive Council. I say, Sir, that this House is entitled to express its opinion as to the manner in which the Executive Council has carried on the administration of this country with reference to the Government of India Act.

**Mr. President :** The Honourable Member, I think, is endeavouring to draw an analogy between the procedure under which the Executive is criticised in the Imperial Parliament and the procedure under which it is criticised in this House. The procedure under which it is criticised in the Imperial Parliament is by a motion for reduction of a Cabinet Minister's salary. Those items are non-votable here and it is, therefore, not open to Members of this House to adopt that procedure ; but there is a very liberal provision made under the Resolution procedure under which—I do not say it is always possible—but at all events it *is* possible for Honourable Members to criticise the action of the Executive in almost every matter of public policy excepting those relating to Foreign States. Therefore, the Honourable Member is taking the wrong method in attempting to raise an issue of this kind on this motion.

**Mr. P. P. Ginwala :** This is a constitutional method, though it may not be in your opinion the best method, Sir ; because, if we want to form an opinion as to the manner in which the Executive Council as a body have administered the Government of India Act, I see no other way in which it can be done except during the discussion of the Budget. Of course, the procedure by Resolution I am familiar with.

**Mr. President :** The Honourable Member knows perfectly well that the tail does not wag the dog ; and if he attempts to drag in the constitutional position of the Viceroy by a reduction in the post of a Stenographer, he knows that he is out of order.

**Rao Bahadur T. Rangachariar** (Madras City : Non-Muhammadan Urban) : Will you permit me, Sir ? This is a motion under the Demand for Grant on account of travelling allowances and other allowances for the Executive Council of the Governor General. Sir, the object of this motion is to raise a discussion. You yourself have suggested, Sir, that if you want to bring the administration of a Department into discussion on a Budget grant like this, the proper way to bring it is by moving a nominal reduction of the grant in order to raise a discussion on the subject. It is in that view, Sir, that this motion has been made by making a nominal reduction of Rs. 100. I wish to submit to you, Sir, that reduction in the travelling allowances of these gentlemen who form the Executive Council will be a right method of bringing their administration into discussion, for we think they do not deserve the travelling allowances by the way in which they have administered the affairs of this country. It is in this manner, Sir, that we propose to bring this matter into discussion.

**The Honourable Sir William Vincent :** May I explain, Sir, that the grant for travelling allowances to which the Honourable Member refers does not relate to the travelling of Members of the Executive Council.

**Rao Bahadur T. Rangachariar :** I know they travel.

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-Official): There is also the pay of the officers.

**Mr. J. Chaudhuri** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): There are also the contingencies. I may mention that the object of my friend, Mr. Ginwala, was to move a nominal reduction with a view to question the procedure of passing Ordinances when this House was sitting. That is one of the questions. Another question is . . . .

**Mr. President:** I may point out that the Honourable Member must take the usual way of moving a Resolution. As I have pointed out, if the salaries of the Members of the Executive Council were votable, then of course they would be responsible in respect of that matter to the Governor General in Council who again would be responsible to this House, and the subject could be brought before this House in that way. It can be brought before this House in another way, namely, by a Resolution, but unless their salaries come under the head 'Miscellaneous Contingencies', I do not see how this subject can be discussed. But since their salaries are non-votable, it is not right for the Honourable Member to bring forward such an issue now, and I must rule the question out of order. A vote for travelling allowances or for miscellaneous contingencies in the case of travelling allowances, is for journeys which have not yet been undertaken. The Honourable Member can only refer to journeys which have actually been undertaken during the previous year in order to suggest that they shall not be undertaken in the future.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Sir, with due deference to what has fallen from the Chair, may I point out that the correct parliamentary procedure just now described by you as obtaining in the House of Commons is that whenever a question is raised which is intended to criticise a particular Department on the day when the House goes into committees and passes estimates, a motion is made for the reduction of a nominal sum from his salary, which is the prospective salary. Now, by the same analogy, travelling allowance is a prospective travelling allowance, and I venture to think as a pure matter of law that if an Honourable Member here desires to criticise the conduct of the Members of the Executive Council, it is open to him to ask for a reduction of a nominal sum from his prospective travelling allowance exactly in the same manner as a Member of the House of Commons would be entitled to criticise the conduct of a Minister by moving for a reduction of a small sum from his prospective salary. I, therefore, venture to submit that it is perfectly open to Mr. Ginwala to criticise the conduct of the Members of the Executive Council by moving for the reduction of their prospective travelling allowances.

**Mr. J. Chaudhuri:** Sir, I want to point out that the responsibility of the Executive Council is a collective responsibility, and therefore, if we refer to contingencies which cannot be allocated to any particular Member, in my view it is competent to move a general reduction under the head of Contingencies and question the course adopted by the Executive Council in respect of certain functions which, we maintain, are exercisable by us and us alone. One of these is that, when the House is sitting, no Ordinances should be passed. I do not wish to be obstructive in this matter. I mentioned also to the Honourable the Home Member once before that in some Ordinances we have noticed that they carry with them an Indemnity clause. My view of it is that an Indemnity Bill can only be passed by the Legislature and that it would not be sufficient to embody an Indemnity clause in an Ordinance . . . . .

**Mr. President:** To what item does the Honourable Member address his arguments?

**Mr. J. Chaudhuri:** The total demand.

**Mr. President:** I may point out that this is not an item in the vote on which it is relevant to raise that issue. Travelling Allowances and Miscellaneous Contingencies are not a peg on which to hang an attack on the Governor General in Council.

**Mr. P. P. Ginwala:** Sir, may I know what these Miscellaneous Contincies consist of? I should like to have a tabulated list to find out whether they come under this category.

**The Honourable Sir William Vincent:** It is largely expenditure incurred in journeys by Honourable Members of the Executive Council.

**Mr. P. P. Ginwala:** I should like to know how the Rs. 50,000 is made up.

**The Honourable Sir William Vincent:** That is how it is made up. It is expenditure incurred by Honourable Members on their tours.

**The Honourable Sir Malcolm Hailey:** May I make the point quite clear, Sir? Members of the Executive Council do not draw any travelling allowance. The expenditure that is incurred is for the haulage of their saloons and in some cases for the travelling of their chaprassis and so on. Therefore, it would not be possible to put that expenditure down under the head Travelling Allowances; it has been put down under the head 'Miscellaneous Contingencies'. That is the only explanation. The whole of the expenditure is incurred purely on the travelling of Members of the Executive Council.

**Mr. T. V. Seshagiri Ayyar:** Sir, may I point out that it would be perfectly germane to this view, namely, that if the travelling allowances had been utilised in the proper manner in which they should have been utilised, the Members of the Executive Council would have learnt what the feeling in the country is and they would have better governed the country. Undoubtedly, they would have travelled in the way they should have, and if they had collected proper information, they would have been in a position to better govern the country than they have done. At present, we see that they have been neglectful of their duty, and consequently we ask for an opportunity to discuss this matter in considering the question of travelling allowances and contingencies.

**The Honourable Sir William Vincent:** I only wish to make it clear that, so far as Malabar is concerned, I did what I could. I did go down to the areas affected.

**Mr. J. Chaudhuri:** Is the journey to Malabar included ?

**Mr. President:** The Honourable Member is well aware that there have been several discussions relating to the question of principle which moved the Honourable Member to undertake that journey. As far as I can see the only thing to criticise would be the actions of the Honourable the Home Member in his public capacity while on a journey.

**Mr. P. P. Ginwala:** Do I understand that contingencies refer only to travelling allowances ? Can we have detailed particulars ?

Now, Sir, as I say, this demand under contingencies is for the travelling allowances of the whole body known as the Executive Council. They travel for, I suppose, administrative purposes, and not for enjoying themselves. Therefore, this House is entitled to say what it thinks, and what opinion it has formed as to their general administration,—whether it is represented by mere travelling or sitting in this House or sitting in the offices. Now, Sir, as my Honourable friend, Mr. Chaudhuri, pointed out, one of the things that we object to with reference to the Executive Council is this allowing of the issue of Ordinances under extraordinay powers conferred on the Governor General under the Government of India Act rather than under the Legislative authority conferred on this House and which authority is held by this House.

**Mr. President:** If the Honourable Member can show me in any way how expenditure on travelling allowances of the Executive Council or of anybody else is connected with the issue of Ordinances, then I will let him go on.

**Mr. P. P. Ginwala:** If they had travelled—if the Honourable the Home Member had gone earlier to Malabar, probably the issue of this Ordinance might not have been necessary.

**Mr. President:** It is not for the Chair to enter into the merits of the question, but I may remind the Honourable Member that this House, I think by a unanimous vote, did not ask for the withdrawal of martial law from Malabar.

**Mr. P. P. Ginwala:** I am not referring, Sir, to the application of martial law at all. All I say is that the method which the Governor General followed would have been affected. If the Honourable the Home Member had gone earlier to the spot and made inquiries, no emergency of that nature would have arisen. That is my contention. He will then have realised that it may have been necessary for him to come to this House and ask for ordinary legislation instead of allowing the Governor General to exercise his extraordinary powers. Now, Sir, my objection is this. The first Ordinance was issued on the 26th August last year . . . .

**Mr. President:** The Honourable Member must be finally ruled out of order. I cannot allow this discussion to go on.

**Mr. P. P. Ginwala:** Can I, Sir, discuss the general administration ?

**Mr. President:** The Honourable Member has moved a reduction in the total demand for the Executive Council.

**Mr. P. P. Ginwala:** The first point I like to raise with reference to the general administration is that, if you look at the Budget as it is presented, you will find how these votable and non-votable items are placed in the Budget. The point is that they have not tried to give effect to the general view of the country and to the intention of the Government of India Act that, as far as possible, votable items ought to be increased and non-votable items diminished, in this way that they should not increase posts or continue to increase posts which remain non-votable under the Government of India Act. An examination of the Budget will show that even where posts need not have been non-votable, they have been made non-votable. I will just ask you to look at this. No doubt, Sir, the pay of the Members of the Executive Council is made non-votable by Statute, but I do not find any authority in the Statute to say that all the Secretaries under these Departments need be occupying posts which are non-votable. If the Government of India Act was worked by the Government of India in the sense in which it was intended it should be worked, we should have seen some endeavour made by the Government of India to introduce the principle by which some of the Secretaries sitting on those benches might have been excluded from the non-votable list and by that means some sense of responsibility might gradually have been introduced even on those benches.

**Mr. President:** I think that again, as the Honourable Member is aware, this is a matter which should be brought up by a direct motion in the form of a Resolution. The Honourable Member is dealing with one of the fundamental questions of policy under the Government of India Act. He is not entitled to bring it in by a side wind.

**Mr. P. P. Ginwala:** This, of course, is one more argument, Sir, as to the kind of rules that we have got. A procedure has been given to us by which a most essential discussion on the most essential issues connected with the administration of this Government cannot be discussed on the floor of this House. A stronger argument cannot be advanced in support of the statement that your Reforms have been a failure than the scene which has been enacted in this House this morning. We are brought here and told that we have come to co-operate with the Government but, when we want to criticise them, they take shelter behind the provisions of a Statute or the rules enacted by the same Government whose policy we want to criticise.

**The Honourable Sir Malcolm Hailey:** I rise to a point of order, Sir. Is the Honourable Member justified in saying that the Government of India are taking shelter behind your ruling?

**Mr. P. P. Ginwala:** Please don't misunderstand me. I entirely submit to the opinion of the President. I say, Sir, that the constitution is worked in such a way that it is possible for the President to give the ruling that he has given just now. That is my complaint. We are not here to discuss any question of general policy at all. We must submit to whatever they allow us to discuss, and we should not discuss anything more. If that is the kind of function which we are expected to perform, I submit, Sir, that there is much force in the statement that the Reforms have been a total failure. It is no good our trying to cut down 5 per cent. here and 5 per cent. there. We are interested far more in the question of general policy than in any mere arithmetical figures. If this ruling, based as it is, Sir, on these rules, is correct, it comes to this that we are here merely to examine figures and to cut them down here and there, but that we are not at liberty to discuss the principles which lie buried under those figures. Resolutions are of no weight at all for discussing questions of policy as a whole. Besides, a Resolution is a mere recommendation to the same Governor General in Council whose policy we now wish to criticise in this House. This is the only way in which this House can express an opinion which might have some effect. If we move a Resolution, it is a recommendation to the same body and it is of no use at all. Our experience has shown that Resolutions carry little weight,—Resolutions which are in the nature of recommendations. Unless this House has this power of expressing an opinion in this form, I do not see, Sir, how we can be said to take any part at all in advising the Government of India on important questions of policy.

I want to refer to one other point which may have been permissible. Our contention here in this House is that the Executive Council as a body, in their military policy, have surrendered themselves to the military authorities and that they have accepted the principles from the military authorities to which the whole of this country legitimately objects. Are we not to discuss that here on the floor of this House and to point out to you what the people

seem to think of these principles which you have blindly accepted from the military authorities? We were told here the other day in this House, and it was accepted by the Finance Member on behalf of the Government, that the Army in this country was maintained on two principles. One of them was defence against foreign aggression, and the second one was the preservation of . . . .

**Mr. President:** Order, order. I have been reluctant to interrupt the Honourable Member, but he is persistently ignoring the ruling given from the Chair. The Honourable Member knows perfectly well that opportunities for discussion on the matters which he has raised have previously arisen, can now arise and will arise in the future, but not on motions of this kind; and therefore I ask him to bring his remarks to a close.

**Mr. P. P. Ginwala:** In that view I will only say that it is futile for us to try to discuss any question of general policy on a general issue of this sort and we shall be driven apparently to methods which I do not think will expedite the business of this House.

**The Honourable Dr. T. B. Sapru** (Law Member): I should not have interfered in this debate, but it is because of a constitutional issue which has been incidentally raised by my Honourable friend, Mr. Ginwala. As a constitutional lawyer, Mr. Ginwala, I should think, will agree with me that it is the business of every Government to act in accordance with the law (*Mr. Ginwala*: 'Yes') and if there is any grievance against the law there are other methods for agitating that point of view,—I am referring to Mr. Ginwala's reference to the Secretaries. I will only remind Mr. Ginwala of certain provisions of the Government of India Act and I will tell him that, so long as the provisions of the Government of India Act stand on the Statute Book, it is the duty of Government to act in accordance with them. Now, section 98 of the Act provides:

> 'Subject to the provisions of this Act, all vacancies happening in any of the offices specified or referred to in the Third Schedule to this Act, and all such offices which may be created hereafter shall be filled from amongst the members of the Indian Civil Service.'

The Third Schedule to the Government of India Act specifies the offices which are reserved to the Indian Civil Service. Now, so far as those offices are concerned, I think they can only be filled in the manner in which the Government of India Act requires them to be filled. As regards the question of the salaries, I will only invite the attention of Mr. Ginwala to the provisions of section 67A (*3*). It will be within the recollection of Mr. Ginwala that he himself raised this question about votable and non-votable items and this question was discussed and could have been discussed at greater length if he had liked under that section, but unfortunately, or fortunately, the decision of the Law Officers of the Crown went against him. Therefore, I submit that, so long as the provisions of the Government of India Act are what they are, it is not open to the House to challenge the Government of India for appointing the gentlemen who occupy the position of Secretaries to Government, or, for the matter of that, putting their salaries on the non-votable list. That is a point which I ask Mr. Ginwala and his supporters to bear in mind.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): Sir, I have one small difficulty in connection with the construction of the Act. I am fully aware of section 98 of the Government of India Act which refers to Schedule III. I would ask that Schedule III of the Act of 1919, or the Act of 1915 as amended by the Act of 1919, be compared with Schedule III of the Act of 1915. It will be found that, under the Act of 1915, several offices were reserved to the Indian Civil Service which are taken away . . . .

**Mr. President:** The Honourable Member is entering into the merits. I allowed the Honourable the Law Member to make an explanation why certain items do not appear which Mr. Ginwala wishes to appear. I will not allow the Honourable Member (Mr. Samarth) to proceed on the question of merits of the constitutional issue raised. The Honourable Member knows quite well that there are opportunities for raising questions of this kind.

**Mr. N. M. Samarth:** I am not raising a constitutional issue. I will only ask a question whether the Government of India Act of 1919 is adhered to in regard to the reservation of only those smaller number of offices which have been reserved under the Act of 1919 to the Indian Civil Service. Under the Act of 1915, there was a larger number of offices reserved to the Indian Civil Service, and I wish to know if even at present these offices are still reserved to the Indian Civil Service or not. For instance, in the Act of 1915 the offices reserved to the Indian Civil Service were Secretaries, Joint Secretaries, Deputy Secretaries, and Under Secretaries of the several Governments in India except Secretaries, Joint Secretaries, Under Secretaries in the Army, Marine and the

Public Works Departments. The Act of 1919 changed it into offices of Secretaries, Joint Secretaries and Deputy Secretaries, omitting Under Secretaries, in every Department except the Army, Marine, Education, Foreign and Political and Public Works Departments. Now, I want to ask, Sir, and get information as to whether or not this Act of 1919 has been given effect to, the letter of it has been followed or not, or whether Government are still continuing to the Indian Civil Service the appointments which have been taken away from the Indian Civil Service by the Act of 1919.

**The Honourable Sir Malcolm Hailey:** I think that the Honourable Member will agree that he has put a somewhat strained interpretation on these two Schedules. The original Act reserved certain appointments to the members of the Indian Civil Service. The effect was that no officer not belonging to that service could be given such an appointment save under the exceptional sanction of the Secretary of State provided for under another section. The Act of 1919 removed a number of those appointments (such as Under Secretaries) from the list, and the consequence is that we are at liberty to appoint to those posts gentlemen who do not belong to the Indian Civil Service. It is perfectly true that in many cases they have been filled up from members of the Indian Civil Service though not in every case, but the difference between the two Schedules is simply this, that whereas under the former schedule we had no option and had to appoint members of the Indian Civil Service, now we have that option, and when suitable members of the other services come forward we can appoint and do appoint them.

**Rao Bahadur T. Rangachariar:** I support this motion for reduction by Rs. 100 on the sole short ground that the Executive Council have not taken steps to give this Assembly an opportunity to discuss their administration on a vote for a demand for salaries and other supplies.

**Mr. President:** The question is:

'That the total demand under sub-head Executive Council be reduced by Rs 100.'

The Assembly then divided.

**The Honourable Dr. T. B. Sapru:** I rise to a point of order. It has been brought to my notice that one Honourable Member of this House voted on the other side under a misapprehension. Is there any way of correcting that mistake?

**Dr. H. S. Gour:** What is the nature of the 'misapprehension'? Many more Members may have voted on the other side under a similar misapprehension.

**Mr. President:** A Member who votes under a misapprehension is entitled to have his vote corrected, if he brings it to the notice of the Chair before the Division is closed. In this case the Lobby in which the Honourable Member had voted was closed, and therefore the list had been taken away and brought to the table. It raises an awkward question, because the transfer of his vote will mean that one side will win and the other side will lose; whereas if the division is allowed to stand, the votes are equal.

It is a proper Parliamentary practice that an Honourable Member voting under a misapprehension is allowed to correct his mistake, provided he brings it to the notice of the Chair before the division is closed. Therefore in this case I think the Honourable Member is entitled to have his vote transferred.

The Division was declared as follows:

AYES—47.

| | |
|---|---|
| Abdul Majid, Shaikh. | Manmohandas Ramji, Mr. |
| Abdul Rahman, Munshi. | Man Singh, Bhai. |
| Agarwala, Lala G. L. | Misra, Mr. B. N. |
| Agnihotri, Mr. K. B. L. | Misra, Mr. P. L. |
| Ahmed, Mr. K. | Mudaliar, Mr. S. |
| Asjad-ul-lah, Maulvi Miyan. | Mukherjee, Mr. J. N. |
| Ayyangar, Mr. M. G. M. | Mukherjee, Mr. T. P. |
| Ayyar, Mr. T. V. Seshagiri. | Nag, Mr. G. C. |
| Bagde, Mr. K. G. | Nand Lal, Dr. |
| Bajpai, Mr. S. P. | Nayar, Mr. K. M. |
| Bhargava, Pandit J. L. | Neogy, Mr. K. C. |
| Bishambhar Nath, Mr. | Pyari Lal, Mr. |
| Chaudhuri, Mr. J. | Rangachariar, Mr. T. |
| Das, Babu B. S. | Reddi, Mr. M. K. |
| Ginwala, Mr. P. P. | Schamnad, Mr. Mahmood. |
| Girdhardas, Mr. N. | Shahani, Mr. S. C. |
| Gour, Dr. H. S. | Singh, Babu B. P. |
| Gulab Singh, Sardar. | Sinha, Beohar Raghubir. |
| Ibrahim Ali Khan, Lieutenant Nawab M. | Srinivasa Rao, Mr. P. V. |
| Iswar Saran, Munshi. | Subrahmanayam, Mr. C. S. |
| Jatkar, Mr. B. H. R. | Subzposh, Mr. S. M. Z. A. |
| Kamat, Mr. B. S. | Thackersey, Sir Vithaldas D |
| Latthe, Mr. A. B. | Yamin Khan, Mr. M. |
| Mahadeo Prasad, Munshi. | |

NOES—49.

| | |
|---|---|
| Abdul Quadir, Maulvi. | Joshi, Mr. N. M. |
| Abdul Rahim Khan, Mr. | Kabraji, Mr. J. K. N. |
| Aiyer, Mr. A. V. V. | Keith, Mr. W. J. |
| Aiyer, Sir P. S. Sivaswamy. | Lindsay, Mr. Darcy. |
| Barodawala, Mr. S. K. | McCarthy, Mr. F. |
| Bijlikhan, Sardar G. | Mitter, Mr. K. N. |
| Bradley-Birt, Mr. F. B. | Nabi Hadi, Mr. S. M. |
| Bray, Mr. Denys. | Percival, Mr. P. E. |
| Bryant, Mr. J. F. | Ramayya Pantulu, Mr. J. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Renouf, Mr. W. C. |
| Cotelingham, Mr. J. P. | Rhodes, Mr. C. W. |
| Crookshank, Sir Sydney. | Samarth, Mr. N. M. |
| Dalal, Sardar B. A. | Sapru, the Honourable Dr. T. B. |
| Dentith, Mr. A. W. | Sarfaraz Hussain Khan, Mr. |
| Faridoonji, Mr. R. | Sarvadhikary, Sir Deva Prasad. |
| Fell, Sir Godfrey. | Shahab-ud-Din, Chaudhri. |
| Gajjan Singh, Sardar Bahadur. | Sharp, Mr. H. |
| Habibullah, Mr. Muhammad. | Spence, Mr. R. A. |
| Hailey, the Honourable Sir Malcolm. | Vincent, the Honourable Sir William. |
| Hullah, Mr. J. | Waghorn, Colonel W. D. |
| Hussanally, Mr. W. M. | Wajihuddin, Haji. |
| Innes, the Honourable Mr. C. A. | Way, Mr. T. A. H. |
| Jamnadas Dwarkadas, Mr. | Webb, Sir M. dePomeroy. |
| Jejeebhoy, Sir Jamsetjee. | |

The motion was negatived.

**Mr. P. P. Ginwala:** May I rise to a point of order, Sir? Can a vote be transferred in this way even if that gentleman has done it in consultation with any other Member of this House? Supposing an Honourable Member votes in the wrong lobby and he is afterwards spoken to by another Member of the House who is interested and he has voted in the other lobby, will this rectification still hold good?

**Mr. President:** The point which the Honourable Member has raised appears to me to be a hypothetical one. Did the Honourable Member himself vote under duress?

**Rao Bahadur T. Rangachariar:** May I know the name of the Honourable Member who thus changed his vote?

**Mr. President:** The name of the Honourable Member is Haji Wajih-ud-din.

**Rao Bahadur T. Rangachariar:** I do not know, Sir, if he voted under a mistake because I happened to have a talk with him after the vote.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars: Landholders): And I also happened to have a talk with him.

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadan Rural): Sir, I beg to move:

> One Ceremonial Officer. 'That the provision for one Ceremonial Officer under Legislative Assembly. sub-head 'Legislative Assembly' be omitted.'

**Mr. P. P. Ginwala:** My next motion is for a reduction of Rs. 100 on this point. If this motion is carried, I presume my motion does not come at all?

**Mr. President:** The procedure is that the larger reduction precedes the lesser.

**Mr. B. S. Kamat:** The motion which I am bringing forward is to cut out the provision of Rs. 3,000 in the next year for the salary of the Ceremonial Officer for this House. I may assure this House, Sir, that in bringing this motion I am not raising any subtle constitutional point, a discussion of which we endured just now. But I am simply bringing forward a motion of a utilitarian character based on grounds of economy and retrenchment. I am doubtful whether we should have at the cost of Rs. 250 a month a Ceremonial Officer for this Assembly. I am aware that in India we are all prone perhaps to a little vanity and a sort of decoration, to have chaprassis and patawalas hovering around us right from the highest officer down to the smallest Tahsildar. In fact, as an illustration, I can say that, as soon as we step into this Imperial Secretariat building, we find a host of chaprassis and jamadars loitering about in the corridors against whom we stumble and who sometimes jostle us about. Well, that being perhaps the feeling in India, it is natural for those who initiated this idea to have the post of a Ceremonial Officer, and they fixed his pay at Rs. 250 a month for this luxury and for this dignity for us. This appointment, Sir, could be justified on two grounds in the opinion of those who believe in this appointment. Firstly, perhaps, they might be thinking that this is a very close imitation of the practice in the House of Commons to have some such officer. If that is the justification, I think we are imitating the House of Commons in the minutest detail and in a very wrong manner. There are other ways of imitating the

practices and traditions of the House of Commons and I think we can turn our attention to better purposes so far as imitation of the House of Commons goes. I for one do not see any necessity for such an imitation at all. I do not think the Upper House has any corresponding Ceremonial Officer to usher in any particular individual there at all. Neither do I know that the Provincial Councils in India have imitated the House of Commons and have any such Ceremonial Officer.

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): There are two chobdars in Bombay.

**Mr. B. S. Kamat:** Therefore, I do not see why we should have an officer here on Rs. 250 a month. We know there is a practice to usher in on big occasions like Durbars distinguished individuals or the principal individual of the show through men who are called chobdars. Even in the case of district Durbars, I believe we all know that there is some old tradition of having the chobdar as an emblem of dignity. My friend, Mr. Percival, who is conversant with these Durbars of the Chiefs and zamindars in the Deccan, can corroborate my statement. These chobdars are in receipt of a salary of about Rs. 30 or Rs. 40. I therefore think that if you indulge at all in this luxury and dignity, this purpose can be served at a cost of not more than Rs. 30 or 40 a month. That being the case, I do not think this item of Rs. 250 a month is justifiable at all. The second justification which some people might give for this appointment is probably this, that in the House of Commons the Sergeant-at-Arms is sometimes found useful in case of very grave disorder. Perhaps in a similar contingency—a very unpleasant contingency indeed—when there is a similar grave disorder in this House, we might have to requisition the services of an officer like the Ceremonial Officer. My reply to this is that even in that case, namely, grave disorder, I believe the function which the Ceremonial Officer on Rs. 250 a month can perform can equally be performed by an ordinary chobdar on Rs. 30 or 40. I therefore think that this amount of Rs. 250 a month can safely be eliminated and we can have instead, if at all we want any emblem of dignity or decoration for this House, an ordinary man from the existing staff converted into a chobdar. If we can effect this economy, Sir, this amount of Rs. 250 or at least the major part of it, say Rs. 200, could be devoted for other good objects and that is the reason why I have brought forward this motion. This amount of Rs. 200 could, for instance, be devoted for the amelioration of the social amenities of the Members of this House. (Laughter.) For instance, we may have a Reading Room. We can contribute Rs. 200 out of this Demand for various periodicals and magazines of a political nature or of scientific information from different parts of the world for the reading of the Members. For instance, we can have periodicals and magazines of the Liberal Party in England, of the Conservative Party or of the Labour Party and also similar magazines from South Africa, New Zealand and other parts of the world so as to keep ourselves in touch with them and to know what other Dominions are doing in the other parts of the Empire. That is one illustration of how this amount of Rs. 200 could be more advantageously devoted for a better purpose. I therefore think, Sir, purely on practical grounds of retrenchment to which we have been preaching to the Honourable the Finance Member for the last few days, that this sum of Rs. 200 can be spent for better purposes. Lastly, let me assure him that this motion is not directed against the holder of particular post but against the post itself.

**Mr. R. A. Spence** (Bombay: European): Sir, the Mover of this motion has taken out of my mouth several things that I was going to say; but I do rise to oppose this motion for reasons affecting the dignity of this House. (Hear, hear). I think that it is a wise provision that we should have the services of a Ceremonial Officer and, in the lamentable contingency referred to by the Mover of this motion, I would ask Honourable Members whether they would like to be removed from this House by a chobdar. (Laughter.) I consider that the social amenities of this House would be better served by their not being removed by a chobdar than by this motion being passed.

**The Honourable Dr. T. B. Sapru:** I shall very briefly state the history of the appointment of this officer. Almost immediately after the commencement of this Assembly last year, the matter attracted the notice of the Honourable the President of the Assembly, and the President expressed his opinion that it was very necessary that we should engage the services of a Ceremonial Officer who would act as the Usher of the House and be the actual bearer of messages from this House to the other House. Accordingly, we were at pains in finding out an officer who would know both English and Hindustani and who had been accustomed to ceremonial functions. It was

quite obvious that the ideal chobdar, so dear to the heart of my Honourable friend Mr. Kamat, would not answer the purpose. Therefore, the names of several Indian military officers were suggested to the President and to us, and, ultimately, the choice fell on a distinguished officer of the Army (Hear, hear) who had rendered signal services to the Crown and to the country during the war (Hear, hear) and who had retired after a very successful career in the Army. (Hear, hear.) Accordingly, the present incumbent, Risaldar Suraj Sing Bahadur, was appointed to this office, and we certainly feel, at any rate some of us feel, that he has added to the dignity of the House on ceremonial occasions. (Hear, hear.)

There is only one word more and I will finish. The salary which we are giving him is by no means one which even Mr. Kamat would characterise as extravagant. He gets only Rs. 200 a month and second class travelling allowance between his place and Simla or Delhi. I had hoped that the case for economy which my friends on the other side of the House were putting up (*Cries from the Democratic Party*: 'No, no; we have not got any such motion'), anyhow, which some of my friends on the other side of the House were putting up was very much stronger than this. Let us economise by all means, but let us not degenerate into a cheese-paring policy. (Cries of 'Vote, vote,' and 'Withdraw.')

**Mr. Abdur Rahim** (North-West Frontier Province: Nominated Non-Official): Sir, I have much pleasure in opposing this motion. The Honourable Mover has, I think, been unkind to us. In my part of the country a chobdar is a man employed for lifting tents. (Laughter.) What next will he have for us? Moreover, I must inform this Honourable House that we must have some retired military officer who has done service to the country and to His Majesty the King. This officer is not a luxury and, even if his allowance is raised, I think it will be more dignified for the House to have him than to have a chobdar. We must have more dignity attached to us, and for this reason, I oppose the motion.

**Mr. P. P. Ginwala**: I am sorry that even on the Opposition Benches there should be a gentleman with so little imagination as Mr. Kamat. (Laughter.) The reason why I brought my motion was, first of all, to compliment the Finance Department on the rigid economy which they have practised in our Department, and to draw the attention of the House to the fact that there is no Department of the Government of India which is run so economically, almost so parsimoniously as our House is run. If you look at your establishment, Sir, you find it consists of yourself, a Deputy President, a Ceremonial Officer and 142 Members. That is all the establishment at your disposal, and rather than remove the Ceremonial Officer, Sir, we would have welcomed a little more pomp and ceremony in the performance of your duties. We should have welcomed a mace, a real mace, which might be used on many occasions (Laughter); for instance, this morning we very nearly came to a situation when something more might have been required and used with advantage. If the Honourable the Home Member came forward with a proposal for the purchase of a red despatch box, the Democratic Party, I am sure, would vote him a grant for that purpose in order that his dignity might also be increased. But the point to which I want to draw your attention is this. I do not see where our establishment comes in. Who is your Secretary? Who performs all the work that has to be performed for this House? Sir, we are entitled to expect that you should be master of your own house. (Hear, hear.) You should have your own establishment on any scale that you think befits your dignity as the President of the Parliament of India. I feel that the whole of this establishment should be placed under your control from the Secretary downwards and that this Department should have nothing whatever to do with any Department of the Government. (Hear, hear.) And, if such a proposal is made, either by the Finance Department or by yourself, if you would take the trouble to make it, I am certain that every Member in this House, in spite of this clamour for retrenchment, would support it wholeheartedly, in order that we might really raise the dignity of this House and with that your own Sir. We should then feel that we were at last in one place where our rights were not interfered with by anybody else and where we had our own way in the conduct of the business of this House. I do not intend to divide the House on my motion, I move it merely to bring this important factor to the notice of the House and particularly to your own notice, so that you may take such action as you think fit hereafter to have your own establishment for the conduct of our business.

**Dr. H. S. Gour**: Sir, I heartily support the remarks made by Mr. Ginwala and I entirely oppose the motion as moved by Mr. Kamat. (Hear, hear.) The object of a Ceremonial Officer is, as was pointed out by the

Honourable the Law Member, an object with which we are in entire sympathy. His presence adds to the dignity of the House and to the weight of your authority (Hear, hear) and, in the course of time, when we shall be the recipients of a mace, which, I understand, is in course of transit, the duties of the mace-bearer and the Ceremonial Officer will become even more imposing. But the object with which Mr. Ginwala gave notice of his motion is the object of strengthening the Legislative Assemly by providing it with a suitable office and office staff.

At present we borrow everything from the Legislative Department. We, I submit, as the Parliament of India, cannot long subsist upon these charity doles. Our Secretary is under the Legislative Department; our Deputy is under the Legislative Department; everybody else is under the Legislative Department. Even the Members are under the Legislative Department now.

**Mr. N. M. Joshi** (Nominated: Labour Interests): We are not under the Legislative Department.

**Dr. H. S. Gour:** Who draws your travelling allowance? To whom do you go for information?

**Dr. Nand Lal** (West Punjab: Non-Muhammadan): We are not under the Legislative Department.

**Dr. H. S. Gour:** My friends rightly object and resent their subordination to the Legislative Department. We want to have a Member's Office, a Members' staff, all under your control, and we want, Sir, that the Indian Legislative Assembly should be self-contained. Now, I ask the Honourable the Finance Member whether this cannot be done without encumbering the finances of the country with further increases of staff and salaries. I submit that by a suitable transfer from one Department to this Department of the Legislative Assembly, the necessary improvements may be made.

**Mr. R. A. Spence:** 'A rose by any other name would smell as sweet.'

**Dr. H. S. Gour:** I also suggest that it would facilitate the work of the Members of this Assembly, because the votes of all those officers would be placed on the Budget and they would be under your direct supervision and control. Members at present labour under a great disadvantage. Thanks to the good offices of the Honourable the Home Member, we have been provided . . . . .

**The Honourable Sir William Vincent:** The Law Member.

**The Honourable Dr. T. B. Sapru:** Would the Honourable Member kindly repeat what he said? (Laughter.)

**Dr. H. S. Gour:** I say, thanks to the good offices of the Honourable the Law Member, we have been provided with a suitable library (Loud Laughter); but we want, Sir, something more than a library. We want a Librarian of the Assembly, and we want some clerks, and we also want a sort of 'Information Bureau' where we can collect materials for our speeches, statistics and information for which we have to rely at present upon the courtesy of other Departments . . . .

**Mr. Jamnadas Dwarkadas:** And upon our imagination.

**Dr. H. S. Gour:** The Honourable Member suggests that some of us draw upon imagination, which he himself so often uses with such great effect. (Laughter.) Now, Sir, these are the plain facts, and I, therefore, ask that while Mr. Kamat may be pleased to withdraw his motion, our motion may be accepted by the Government who should see their way to provide the Assembly with a suitable office and staff by transferring officials from other Departments to a self-contained Department under the President of the Legislative Assembly.

**Mr. S. C. Shahani:** Sir, I also rise to associate myself with what has fallen from the lips of my Honourable friend, Mr. Ginwala. I am strongly opposed to what has been said by my Honourable friend, Mr. Kamat, who has sought to make out that a Ceremonial Officer embodies a sense of vanity on the part of the House. I have understood the word 'Vanity' differently. So far as I see, a Ceremonial Officer for the House embodies a very ordinate and appropriate sense of the power and authority which this House possesses.

**Mr. N. M. Joshi:** I move that the question be now put.

**The Honourable Dr. T. B. Sapru:** Sir, in view of the remarks which have fallen from my friends Mr. Ginwala and Dr. Gour, I should like to make a few observations with regard to the desire to have a separate establishment for the Legislative Assembly. The very first thing to which I will invite the attention of the House is that the legislative bodies cost us something like Rs. 7,38,?00, as will appear from page 32, excluding Council Reporters, Secretaries and Printing. Now, so far as the point of a separate staff for the Legislative Assembly and the Council of State are concerned, there are just one or two points of view which should be placed before the House. The two Houses meet here for certain parts of the year, and then we have what I may call, from the point of view of the Legislative Assembly and the Council of State, the slack season. Now it will be difficult to keep a whole-time officer of the status and pay of the Secretary occupied all the year round. What is he to do during the time when the two Houses are not sitting? The work of the two Houses begins to flood into my Department nearly two months or a month and a half before the meeting of the two Houses. Now, if this House decides to have a separate Secretary and a separate staff altogether, well, it must find the money. Personally speaking, I feel that it would be a relief to some of the officers of my Department, but I beg the House to remember the state of our finances at the present moment, and also the more important fact that it was impossible in the beginning to separate the Legislative Department from the Legislative Assembly, the two are so closely connected with each other. Matters of legislation have got to go to the Department over which I have the honour to preside, and I venture to think they will have to go even in the future. And then you will also be pleased to bear in mind that you will have to provide a separate staff not merely for this House but for the other House also. There may grow up a similar desire in the other House.

**Dr. H. S. Gour:** We can have one staff for both Houses.

**The Honourable Dr. T. B. Sapru:** What I would, therefore, suggest to Dr. Gour and Mr. Ginwala is that it would be better if they were to wait until this question is examined thoroughly and we see what the practical difficulties are and to what extent we can give effect to this desire. I would, therefore, suggest to Mr. Ginwala and Dr. Gour that they might express their views in writing to me, on this matter so that we may examine them from the financial point of view and also from the point of view of the practical work of the Department, and if we find that it is practicable to give effect to their views, I can assure Mr. Ginwala and Dr. Gour that no one will be more willing to meet their wishes than myself. But more than this I cannot definitely say at the present moment. I hope, therefore, I have given an explanation of the position as it stands.

**Dr. H. S. Gour:** Sir, may I just suggest to the Honourable the Law Member to appoint a small Committee to go into this question.

(*Honourable Members:* We don't want a Committee.)

**Mr. N. M. Joshi:** A Committee consisting of Dr. Gour and Mr. Ginwala!

**The Honourable Sir William Vincent:** I move that the question be now put.

**Mr. President:** The matter in the last resort concerns the President, because if the Assembly chooses to set up an establishment of its own, it must of necessity be placed under the authority of the Chair. This question engaged my attention the moment I undertook the duties of my office. I found it convenient, however, to leave the matter as I found it on taking office, because the officers of the Legislative Department met my wishes in every possible way (Hear, hear), and I have no desire whatever during the first year of my office to disturb the existing arrangements. On principle, I endorse entirely what has been said by Mr. Ginwala, Dr. Gour and Mr. Shahani. I consider - and I have put it on record already—that this House ought to have an establishment of its own.

Late last autumn I considered the question without consulting other persons and I came to the conclusion that it would be unwise in the existing state of the public finances for me to make proposals which might impose a burden upon the tax-payers of this country.

There is one further consideration which, I think, we might bear in mind. We are here in a temporary condition; and it might well be found that, when the Indian Legislature is housed in its permanent home in the new Capital, an establishment could be set up which would serve the needs of both

the Houses in a way which such an establishment could not do in the present circumstances. I am prepared to give the House an undertaking that during the course of the summer I shall examine the question thoroughly in consultation with my friend, the Honourable the Law Member, and that if we find ourselves in a position to make definite proposals we shall then consult the Assembly. (Hear, hear.)

**Mr. B. S. Kamat:** In view of better things to come, I ask for leave to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. J. Chaudhuri:** Sir, I was asked by some of my friends in this House to move this motion :

Conveyance allowance of Members of Legislature.

'That the provision for conveyance allowance of Members of the Legislative Assembly and Council of State be reduced by Rs. 43,000 and Rs. 32,500, respectively.'

They were kind enough to think that, if I moved this motion it would not be liable to misinterpretation or any uncharitable construction. It relates, I may tell the House, to motor haulage account and not to the conveyance charges of the Members of the Assembly who have to reside at Raisina. I find that under Contingencies, motor haulage account has come up from Rs. 85,000 to Rs. one lakh ; and I find also that the expenditure under Contingencies in the matter of motor haulage in respect of Members of the Council of State has been put down at Rs. 40,000. This, I believe, is a new addition. Now, it is said that we are always ready to pick holes in the pockets of others; but I think this motion will show that we are not reluctant to pick holes in our own pockets as well, if we can effect an economy. There have been certain complaints made and it is desirable that I should bring those matters to the notice of this House. I have been told that some Members both of this House and of the other House had only attended certain meetings for the purpose of attending certain ceremonials in connection with the Prince's visit and they have absented themselves since then and they have been granted motor haulage allowances. Of course, it is for the House to decide and it is for me to draw the attention of the House. This matter may be left to the Finance Committee and I do not wish to press it, but I should give the figures as I have calculated them.. There are on an average not more than 100 Members present in this House. If we allow them each daily conveyance allowance of Rs. 5, it works to Rs. 150 per month and for 100 Members it works out to Rs. 15,000 and for three months Rs. 45,000. If Members would club together, they could hire motors in Delhi for three or two of them (Hear, hear), and they can cover that within their conveyance allowances. I only put that for the consideration of the House. Then, there are some Members who live in Delhi and who do not get any conveyance allowance. If a uniform allowance were paid to all Members, whether they reside in Delhi or not, it would be fair to all Members alike. Now, when Members go up to Simla they do not get any rickshaw allowance. Simla is a very expensive place and some of the Members have brought it to our notice that during September when it rains it is not very comfortable for them to come from Longwood Hotel to the Assembly Chamber and go back. So, if we are to provide for that, we must effect economy in other directions, and I must say also, that those gentlemen who bring down their motors do not gain anything by it, because they are out of pocket; in fact they cannot cover their own expenses out of the allowance of Rs. 75 they get. For the upkeep of their motor car they have to spend about Rs. 250 a month ; so it is not a gain to them, while the haulage of motor car from distant parts of India costs a good deal of money to the State. If two of them will club together they can hire a motor car for Rs. 500 a month. That is my suggestion ; I do not wish to press it before the House ; but since we have been trying for economy in every direction I felt that we should draw the attention of the House to this wasteful motor haulage account as well.

There is another point. I do not know if any Legislature of any other country allows allowance to Members for such purposes . . . .

**Rao Bahadur T. Rangachariar:** Do they come two thousand miles ?

**Mr. J. Chaudhuri:** I know that India is a country of distances and I also appreciate the fact that we, who are political undesirables, have got a segregation camp at Raisina and we have to come six miles to Delhi and go back six miles; but, all the same, if this conveyance allowance were allowed to all Members, I calculate that an actual expenditure of Rs. 45,000 will cover the expenses under this head. So far as the Members of the Council of State are concerned, those who live in Metcalfe House do not

require any conveyance allowance. Further, if Members of the Assembly who live in Delhi do not get any conveyance allowance, there is no reason why Members who live in Metcalfe House should be allowed any conveyance allowance or motor haulage charges or Rs. 75 per month for petrol. I have mentioned that some Members of this House, as well as of the other House, came up here to attend ceremonials and they have not attended to their duties and they have charged for motor haulage both ways. That I consider is wrong and we should not only criticise the Government for extravagance but we should also criticise ourselves for extravagant expenditure. Members are aware that there is a rule that, if we absent ourselves for 15 days from this Assembly or from the other House, we are not entitled either to travelling allowances or any allowance. So I would suggest—I am not going to press this to a division, but I am only drawing the attention of the House to it—that Members who do not attend the sittings of either this House or of the other for 15 days should forego their motor haulage allowance. That would serve the purpose of ensuring better attendance in both the Houses, and it has been a standing complaint in the other House that Members are very remiss in attending the meetings of that House.

**Mr. President:** Order, order. The Honourable Member may criticise the Members of this House. The other House will look after itself.

**Mr. J. Chaudhuri:** My apology for alluding to that is, Rs. 40,000 has been put under the votable head on account of allowances. I do not mean anything personal, but I thought it to be my duty to draw the attention of this House to this. When we are out for retrenchment and economy, I should ask the Members to consider this question seriously for themselves. I do not expect an immediate decision, but I hope they will at least refer this matter either to the Finance Committee or to the Retrenchment Committee.

**The Honourable Dr. T. B. Sapru:** Sir, I desire to congratulate my Honourable friend, Mr. Chaudhuri, on this supreme act of self-sacrifice (Hear, hear), and I sincerely hope and trust that the Democratic Party of which he is such a distinguished Member (*A Voice:* 'He is sitting among the Members of the National Party') will warmly endorse his pious wish. So far as the attitude of the Government is concerned, I may frankly say that I prefer to leave this matter entirely in the hands of the House (Hear, hear). The position is that these figures which are before you in this document may have to be supplemented later on when there is a demand for chauffeurs and cleaners of motor cars.

**Rao Bahadur T. Rangachariar:** What about the leakage of tyres?

**The Honourable Dr. T. B. Sapru:** Well, it is for the House itself to illustrate effectively that economy like charity begins at home.

**Dr. H. S. Gour:** Sir, my friend in closing his speech said that his sole excuse for bringing forward this motion before the House is economy. He then pointed out that economy would be best served by increasing the daily motor allowances of the Members in Delhi.

**Mr. J. Chaudhuri:** No, no, I did not say that.

**Dr. H. S. Gour:** He pointed out that there was no reason . . . .

**Mr. J. Chaudhuri:** I did not say that.

**Dr. H. S. Gour:** He pointed out that there was no reason why Members who reside in Delhi should be refused a daily motor allowance which was given to those residing in Raisina. But my friend's memory is proverbially short. (Laughter.) He forgets. He makes a statement one moment and contradicts it the very next (Laughter), and that is characteristic of his entire speech. He told us first that the Finance Committee should apply their super-axe to the motor haulage allowance of piquant Members who came here—let me remind my friend—at great personal inconvenience and spent their time for the purpose of doing homage to His Royal Highness the Prince of Wales. I am certainly not one of them. (Hear, hear.) I came here at the commencement of the term and am here upto date so that I can make these remarks with impunity. Those Members of the House who came here in connection with the visit of His Royal Highness the Prince of Wales are as much entitled to their haulage allowance as my Honourable friend or myself or any other Member, and I submit, on principle, it would be wrong, it would be eggregiously wrong, if a few Members of the Finance Committee were to bring these Members to book and say, 'How many days have you been here; let us look at the attendance roll; oh, you have been here for 6 days only and your travelling allowance cannot be admitted; Oh, you have been here

for 8 days, and your travelling allowance is admitted.' Does my friend desire that any Member of this House should be subjected to this abject and humiliating treatment? I submit not.

**Mr. J. Chaudhuri:** I never said that.

**Dr. H. S. Gour:** That is my friend's denial No. 2. He says that he did not say that, but very presently he will deny every word of his speech.

Then, Sir, he passed on to the next question. He said that the interests of true economy demanded that Honourable Members who go up to Simla and who suffer intolerable inconvenience of having to cover the distance either on foot or in Indian rickshaws from the Longwood Hotel to the Council Chamber should not be denied a fair conveyance allowance, and that, he said, was in the interests of true economy. (Laughter.) Now, Sir, that is a statement with which I heartily agree.

**Mr. J. Chaudhuri:** No, I never said that.

**Dr. H. S. Gour:** My Honourable friend ejaculates once more and says that he did not make that statement. Denial No. 3. Then my friend went on to put forward a most absurd and impossible proposition as to why the Members should not club together and hire a motor car. But does my friend forget that Members do not all live together and that they value their time far more than, I presume, my Honourable friend does. You cannot wait for the convenience of four other passengers. It may be that your engagement lies in one direction and the engagements of other Members may be in other directions. How can we all club together? My Honourable friend surely never thought out the real purport of his speech, and what was underlying it I fail to understand. I think, Sir, that this motion deserves to be unanimously rejected.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, I venture to think that my Honourable friend Mr. Chaudhuri's proposition has not received the consideration which it deserves (Hear, hear.) Dr. Gour in his usual . . . .

**Mr. N. M. Samarth:** Ponderous style.

**Munshi Iswar Saran:** . . . . style has tried to make fun of this proposition, but I shall ask the House, if I may, for a moment to consider the serious aspect of it. It is no good our trying to cut this Department by 20 lakhs and that Department by 15 lakhs, but, when it comes to our own allowance, we start advancing all sorts of arguments (Hear, hear). Will the House remember what the Honourable the Law Member said on behalf of Government that charity begins at home? Quite right he was, and I hope my Honourable friends in this House will bear that in mind while approaching this question. Sir, if I might be forgiven a personal remark, I shall say that last year when it was moved that the allowance of the Members of this House should be increased, I raised my voice of protest, and to-day I say that this motion should be carried, though I do not accept nor do I agree with the statements and the reasonings which have been advanced by my Honourable friend, Mr. Chaudhuri. What I say to the House is this. Are we going to make a poor exhibition of ourselves? Let it not be said that when the question is about our own allowance, we do not reduce it, but where it is a question of reducing the allowance of these unhappy men (Laughter), we are eager, we are anxious to reduce it We quote political economy, the procedure of the House of Commons, and the constitutional laws even of Timbuctoo in order to cut down the demands of Government, but as regards the reduction of any allowance of ours, if any one has the temerity to advocate it, we try to howl him down and ridicule him. I beg most earnestly my Honourable friends to carry the motion which has been proposed by my friend.

**Rao Bahadur C. S. Subrahmanayam** (Madras ceded districts and Chittor: Non-Muhammadan Rural): Sir, my friend, Mr. Chaudhuri, is not an accomplished buffoon. He is too serious for this Assembly or any other place. This is his misfortune. If he talks, he talks in the most serious manner so that even a cause which has got a sufficient strength on its own merits sometimes loses its force. His sole point, put in that modest and halting manner, was simply this. Here is a large sum of money which you can save if you cut down this complicated allowance to Members for bringing their own motor cars. These haulage allowances and haulage charges make a large amount. That is in regard to men who bring cars from long distances. Then you have got certain daily allowances, and he says that there is no uniformity, no consistency, in the manner in which those allowances are given. That position may be right or wrong. When we want money for ourselves, we

may look at the point from one particular point of view. But there is absolutely no reason whatever for the manner in which Dr. Gour sought to show up Mr. Chaudhuri. Last year the same matter was discussed, but it was based solely on the ground of equality of status between the two Chambers. That was the basis on which the whole of the discussion was carried last year,—not on the ground that the allowances which were originally fixed for the Members of this House were insufficient or that Members of this House desired more—not on any of those grounds of Rs. AS. PS. Equality of status was the sole ground on which that motion was put. Mr. Chaudhuri says that the figures may be examined, and if the figures show that it does not amount to much, well, his motion would have done good. But I entirely dissociate myself from that flippant manner in which his remarks have been treated, and I associate myself with my friend, Munshi Iswar Saran, that there is a good deal of substance in the motion which has been moved and it has to be examined on its own merits. Rightly the Honourable the Law Member has said that this is a matter for yourselves. It is a matter for yourselves to vote your own money, or money over which you have a certain amount of control, and he very adroitly said that they will have nothing to do with it and that it is none of their business. So the Assembly should proceed to examine now or at a future moment the merits of the proposal that has been brought by Mr. Chaudhuri.

**The Honourable Sir William Vincent:** Sir, I only want to make one point clear. If this motion proceeds to a division, the Members of the Executive Council will not vote ; other officials will be free to vote and speak as they like. I do not propose to speak or vote on the motion myself.

**Mr. N. M. Joshi:** Sir, I have got complete sympathy with the principle of the motion of my Honourable friend, Mr. Chaudhuri, and so I propose to speak in favour of his motion. As regards the practice of it, I feel some difficulty, and, therefore, I must seriously consider whether I should vote in favour of it or not, because I am one of those people who enjoy the most benefit of the haulage in getting free rides throughout the season. But, Sir, while speaking on this motion I wish to emphasise the absurdity of the conveyance allowances rules. Is motor haulage a conveyance allowance or not ? If it is a conveyance allowance, it must be given according to the rules of the conveyance allowance. But we find that the conveyance allowance rules do not apply. I shall give an instance. My Honourable friend, Abdul Majid, from Delhi does not get any conveyance allowance, because he does not come from Raisina but comes only from Delhi city. But people living in Metcalfe House who have to come only a few yards to the Council Chamber, get the motor haulage (*A Voice* : 'And the allowance') as well as Rs. 75 a month as an allowance with the railway fare of their chauffeur and cleaner. Sir, this is obviously absurd, and I do not know why, even after the Honourable Member from Delhi had asked for that allowance, that allowance was refused to him. Sir, this only shows the attitude of the Government towards those who do not have influence to give them trouble. Government only go on heaping money upon those who have got money. They give an allowance to those who have motor cars and refuse the allowance to the poor men. Sir, I hope Government will seriously consider this point. It may be a small matter. I believe it is a small matter even from the financial point of view. It does not affect very much the financial position of my Honourable friend from Delhi, but it ought to matter to Government who ought to be equal to all people. On this motion I do not wish to speak any more, but I will also add my desire for some conveyance allowance at Simla in spite of the proposals for economy (Laughter) that are being made. Sir, I do not wish to speak any more except to remark that there was some reference made to the equality of status between the other House and this House. May I also remind those Members that there should be equality of status between those Members who cannot afford to keep a motor car and those Members who can keep a motor car ?

**Sir Godfrey Fell** (Army Secretary) : Sir, I should just like to be clear upon one point, with reference to what fell from my Honourable friend, Mr. Joshi. In his impassioned appeal for equal treatment by Government of all classes, made with reference to the sad case of the Honourable Member for Delhi, does he include, in the class of persons who ought to receive a conveyance allowance, those unfortunate individuals who sit upon these Benches ? For they receive no conveyance allowance at present.

**Mr. N. M. Joshi:** I would include them.

**The Honourable Dr. T. B. Sapru:** Sir, there are only one or two remarks which I would like to make at this stage. In the first place, my Honourable friend, Mr. Joshi, was not right in saying that those who live in Metcalfe

House receive any conveyance allowance. That is not the fact. Everybody receives the haulage allowance, but those who live in Raisina also get the conveyance allowance. As regards the inequality of the rule in relation to a particular Member of this House, my attention has been drawn to it by several Members of this House. I have been considering the rule for some little time and I will have to put myself in touch with the Finance Department. I can only promise that I shall go through the rule very carefully and if I can do anything . . . .

**Mr. N. M. Joshi :** Change the rules.

**The Honourable Dr. T. B. Sapru:** . . . to restore equality, to use the words of my friend, Mr. Joshi, I shall be very glad to do so. But it will take some time and I shall have to obtain the consent of the Finance Department.

**Mr. N. M. Joshi :** Change the rules.

**Rao Bahadur T. Rangachariar:** Sir, I want to treat this motion with that respect and seriousness which is due to an Honourable colleague of mine belonging to my Party. I strongly oppose the motion made by my Honourable friend, Mr. Chaudhuri, and I am not ashamed to say that I do so for personal reasons also. I have got accustomed to drive in motor cars, unfortunately or fortunately. I make some sacrifice in coming all the way from Madras to Delhi, and I think the success of this Assembly, of a Central Legislature like this, demands that you must be able to induce people to take all this trouble to come to this distance. They have to come here and sit for months together, away from their homes, away from their business. To expect them to live in a style of clubbing together in an ekka or a tonga or even in a motor car is really asking of human nature too much. The attitude taken up by the Government to-day is characteristic of their general attitude in regard to the administration of the country. (Laughter.) I cannot help regretting the way in which I say the matter has assumed importance, otherwise I would not have intervened in this debate. Probably some of us, even with this petty allowance which we get, have to spend a great deal more out of our pockets for a decent living in these far-off lands. (Hear, hear.)

The conveyance allowance which we get hardly suffices to meet our actual expenses. I know that in my own case, living as I do probably in an antiquated orthodox fashion, I have to indent on people here and there for my food on the way or send in advance the servants to have my food cooked.

Now is it a pleasure to have cars brought here ? Sir, last time when I brought my car down here I lost two tyres. (Laughter.) But may I be permitted to mention in this humorous mood that the railway wagons behaved rather in an awkward fashion, and the railway wagons travelling from Madras to Delhi have to change at various junctions. Then the knocking about which my car gets both on the upward and on the downward journey are the Government going to compensate me for all that ? Is the country going to compensate me for all that loss ? (*Mr. Samarth* : 'Your constituency may'.) It is certainly the constituency that has to pay. If you want us to do work, by all means we are prepared to sacrifice what is unavoidable, but surely to make sacrifice by bringing motor cars at our own cost or depending upon the whims and fancies of the motor drivers in Delhi is asking too much. Now, only the other day I had not my car here. I had taken it to Hardwar and I could not bring it back in time. So I had to rush from the station to the Assembly and I had to pay Rs. 3 for this short distance. Now, do you expect me, for instance, when I have to make my motions here once or twice a day, to be confined in my house ? I want to see Delhi, I want to call on my friends for lunch, tea, or dinner, and do you expect me to get on without a car ? Is this a serious proposal which my friend, Mr. Chaudhuri, is making to the House ? Certainly not I quite see that they have got some grievances. Those who have put forward this motion have, under the guise of this motion, brought forward certain grievances of their own and I do join them in imploring the Government to take serious notice of those grievances. I quite see that it is idle to expect in Simla to go about without a rickshaw. I tried it at the cost of my health. (Laughter.) I cannot walk uphill as Honourable Members on the side of Government can. I am not accustomed to Simla. They are born and brought up in Simla, but I was not brought up in Simla. (Laughter.) Therefore, I say that if we have got particular grievances, by all means bring them forward. I quite agree that people in Delhi should have some conveyance allowance so as to enable them to attend the meetings, and I fail to see the reason of the rule which prohibits it. I do think that this motion deserves better treatment at the hands of Government than it has met with. I say it should be treated more seriously and I therefore ask the House, apart from the humorous aspect of it, to treat the motion seriously and reject it.

**Mr. P. P. Ginwala :** I move that the question be now put.

**Mr. President :** The question is :

'That the provision for conveyance allowance of Members of the Legislative Assembly and Council of State be reduced by Rs. 43,000 and Rs. 32,500, respectively.'

The Assembly then divided as follows :

AYES—31.

| | |
|---|---|
| Abdul Majid, Shaikh. | Joshi, Mr. N. M. |
| Abdul Quadir, Maulvi. | Kabraji, Mr. J. K. N. |
| Ayyar, Mr. T. V. Seshagiri. | Lindsay, Mr. Darcy. |
| Bagde, Mr. K. G. | McCarthy, Mr. F. |
| Bajpai, Mr. S. P. | Nag, Mr. G. C. |
| Bhargava, Pandit J. L. | Percival, Mr. P. E. |
| Bryant, Mr. J. F. | Ramayya Pantulu, Mr. J. |
| Chaudhuri, Mr. J. | Renouf, Mr. W. C. |
| Cotelingham, Mr. J. P. | Rhodes, Mr. C. W. |
| Dalal, Sardar B. A. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Singh, Babu B. P. |
| Dentith, Mr. A. W. | Spence, Mr. R. A. |
| Faridoonji, Mr. R. | Subrahmanayam, Mr. C. S. |
| Iswar Saran, Munshi. | Way, Mr. T. A. H. |
| Jamnadas Dwarkadas, Mr. | Zahiruddin Ahmed, Mr. |
| Jatkar, Mr. B. H. R. | |

NOES—36.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Jejeebhoy, Sir Jamsetje. |
| Ahmed, Mr. K. | Latthe, Mr. A. B. |
| Aiyer, Sir P. S. Sivaswamy. | Mitter, Mr. K. N. |
| Akram Hussain, Prince A. M. M. | Mukherjee, Mr. J. N. |
| Asjad-ul-lah, Maulvi Miyan. | Mukherjee, Mr. T. P. |
| Ayyangar, Mr. M. G. M. | Nabi Hadi, Mr. S. M. |
| Barodawala, Mr. S. K. | Pyari Lal, Mr. |
| Bijlikhan, Sardar G. | Rangachariar, Mr. T. |
| Bradley-Birt, Mr. F. B. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Sarfaraz Hussain Khan, Mr. |
| Crookshank, Sir Sydney. | Sarvadhikary, Sir Deva Prasad. |
| Gajjan Singh, Sardar Bahadur. | Shahani, Mr. S. C. |
| Ginwala, Mr. P. P. | Sharp, Mr. H. |
| Gour, Dr. H. S. | Sohan Lal, Bakshi. |
| Gulab Singh, Sardar. | Srinivasa Rao, Mr. P. V. |
| Habibullah, Mr. Muhammad. | Subzposh, Mr. S. M. Z. A. |
| Hussanally, Mr. W. M. | Webb, Sir M. dePomeroy. |
| Ibrahim Ali Khan, Lieutenant Nawab M. | Yamin Khan, Mr. M. |

The motion was negatived.

The Assembly then adjourned for Lunch till Twenty-Five Minutes Past Two of the Clock.

---

The Assembly re-assembled after Lunch at Twenty-Five Minutes Past Two of the Clock. Mr. President was in the Chair.

---

**Rao Bahadur T. Rangachariar:** With reference to what happened this morning, Sir, we have been considering during the lunch interval whether you will allow a discussion on the General Administration, at least under Motions 187 and 188. This information we want in order to guide ourselves in our conduct in respect of these motions. I also wish to inform you, Sir, that under the head 'Army Department' there is a motion of Mr. Ginwala No. 174 to reduce the demand by a nominal sum. We want to raise the question of military expenditure under that head and I wish to know whether you will be pleased to allow us to do so.

**Mr. President:** The Honourable Member has not given me notice that he desired to raise this point. I shall give him an answer later. Meanwhile, here are other motions on the paper and they should first be taken into consideration.

**Dr. Nand Lal :** Sir, I rise to move the following motion.

Pay of officers, Foreign and Political Department.

'That the provision of Rs. 3,18,890 for pay of officers under sub-head 'Foreign and Political Department' be reduced by Rs. 2,00,000.'

Sir, you will be pleased to see Demand No. 13, General Administration, under sub-head 'Foreign and Political Department' and then you will kindly turn to page 35 where it is given 'Foreign and Political Department—pay of officers.' The item which I am bringing within the purview of the debate is given in the last column and amounts to Rs. 3,18,890. Now, Sir, if my information is correct that the Ruling Chiefs in India are directly connected with the Imperial Government, then the official Members will also . . .

**Mr. R. A. Spence:** Sir, I rise to a point of order. The Honourable Member is moving his motion to reduce 2 lakhs from the sum of Rs. 3,18,890. But the votable items onl come to Rs. 1,27,850.

**Dr. Nand Lal:** My learned friend, I am sorry, had not sufficient me time total them up and I say this with due deference to him. In the first place, it is nowhere given what part of this demand, which is alluded to by my humble self, contains non-votable item.

**Mr. R. A. Spence:** Please see page 35. The items in *italics* are non-votable.

**Dr. Nand Lal:** That is the pay of establishment. I am referring to the pay of officers.

**Mr. R. A. Spence:** So am I.

**Dr. Nand Lal:** I believe, Sir, you have ascertained whether the submission which has already been made by me is correct or otherwise. According to my way of calculation it is correct, but according to the way in which my learned friend, Mr. Spence, has calculated it, it is not correct. However, resuming my argument, I submit, if the information which I have is correct, why should India incur expenses for that connection which is not, as I hear, direct? Therefore, the whole of this money, which has been asked, should not be allowed. In any case, the amount, which I have proposed to be deducted, may be deducted. This House knows full well that there is a great financial embarrassment. This is not an occasion for the Government of India to think of its grandeur or to think of advertising that the Foreign and the Political Department spends so much. It is the time when economic principles should be observed very seriously. With these few remarks I submit this question before the House and trust that they will give it full consideration and their acceptance. And so far as the official Members are concerned, I am sure they will accede to certain points so far as this reduction is concerned. I am not referring to the details because I do not think it is proper for me to go into them. It is a question of a specific reduction and, therefore, I have simply alluded to that particular point alone.

**Mr. President:** Before I put the question, I may say that the point raised by the Honourable Member from Bombay (Mr. Spence) appears to me to be well taken. The amount under the item 'Pay of Officers, Foreign and Political Department,' which can be reduced by this House is less than two lakhs of rupees. The Honourable Member would, therefore, have to move for a reduction of less than two lakhs.

**Dr. H. S. Gour:** In that case may I be permitted to move my motion which is in order?

**Mr. President:** There are several reductions that take priority over Dr. Gour's motion, because they refer to particular items. He refers to the whole vote. I understand that the item referred to by the Honourable Member behind him (Dr. Nand Lal) refers to the pay of the officers in the Department.

Four motions for reduction in particular items under the sub-head 'Foreign and Political Department' were not moved.

**Dr. H. S. Gour:** Sir, the proposition which I wish to place before the House is:

General reduction. 'That the demand under sub-head 'Foreign and Political Department' be reduced by 1 lakh.'

Honourable Members will see that the Foreign and Political Department administration costs Rs. 10,42,000. Now, this Foreign and Political Department is a combined Department, and yet Honourable Members will find from the latest Quarterly Civil List of the Foreign and Political Department and also from the details given at page 35 that there are two Secretaries, two Deputy Secretaries, one Under Secretary, one Assistant Secretary and a very large number of other officers and Attachés in this Department. Over and above that, the Foreign and Political Department of the Government of India absorbs something like 193 pages of this Quarterly Civil List.

Now, Sir, the first point I wish to make in this connection is the large number of officers under these two Departments, and I venture to submit that these two Departments have grown in strength and volume with the progress of years, and it lies on those who are responsible to reply on behalf of the Government to show what justification there is for this huge and costly establishment.

My second submission is that, going through this long list of officers and employees of the Foreign and Political Department, I find, and lament to find, that the whole *personnel* is non-Indian. With one or two exceptions the persons employed in these two Departments are persons other than Indians.

My third point is as regards pay. I wish to know, Sir, whether these ceremonial officers of the Foreign and Political Department, who ornament these two services, are not officers whose pay might be reduced.

Lastly, Sir, I come to a topic which will save the country not lakhs of rupees but something in the neighbourhood of a crore and a half to two crores of rupees. That is an item with reference to the administration of the North-West Frontier Province.

Honourable Members will remember that last year my esteemed friend, Sir Sivaswamy Aiyer, moved a Resolution in this House for the judicial amalgamation of the North-West Frontier Province with the Province of the Punjab. That Resolution was opposed on behalf of the Government but was eventually carried by the vote of this House. I wish to know what action has been taken in response to the strongly expressed desire of this House, as embodied in that Resolution. Now, Sir, Honourable Members will remember that the North-West Frontier Province costs this country an ever increasing sum of money. Will the Honourable Members be surprised to hear that in this year there is a deficit of nearly 2 crore of rupees? If the Honourable Members will turn . . . .

**Mr. Denys Bray** (Foreign Secretary): I rise to a point of order. Is the Honourable Member in order in discussing the North-West Frontier Province under the head of Foreign and Political Department? It is a separate Demand in itself.

**Mr. President:** Looking at the character of the Demand No. 46, clearly that is the occasion to raise the question of the North-West Frontier Province.

**Dr. H. S. Gour:** Might I point out, Sir, that I thought over that question very closely. The House will find that all this North-West and the other Frontier Provinces are distributed over several heads of account (*vide* Demand 46, column 3 of the Demand Book), and here we find in the Foreign and Political Department, pages 148 onwards, the North-West Frontier expenditure table. The result is that the vote on the North-West Frontier Province is not only covered by item No. 46 but also by the item under discussion and, therefore, I am entitled to raise that question here.

**Mr. President:** It will be more appropriate to raise it under the North-West Frontier Province, where there is a direct vote for the administration of that province. (*Cries of* 'Withdraw, withdraw.')

**Dr. H. S. Gour:** Very well, Sir, I shall raise this question there—when Demand No. 46 comes up for the vote of the House. (*Mr. N. M. Samarth:* 'If it does at all'.) My friend, Mr. Samarth, is perfectly right in saying that perhaps long ere that the guillotine will be applied and I shall be deprived of the right of addressing this House (*A Voice:* 'Whose fault') on a motion which would economise to the extent of two crores of rupees (*Mr. R. A. Spence:* 'Retrench in speech-making') in the full expenditure of this House. I therefore submit that, though not directly, I am entitled to address the House on the subject of the North-West Frontier Province in connection with this motion, because the House will observe that all the charges for the Secretaries in the . . . .

**Mr. Darcy Lindsay** (Bengal: European): I rise to a point of order. Is the Honourable Member in order in referring to Secretaries? I thought they were non-votable subjects. The items are all in italics.

**Dr. H. S. Gour:** But the hill journey allowances are not in italics.

**Mr. President:** I must remind the Honourable Member of what I said just now. The substantive issue must be raised under Demand No. 46 and it is in the Member's own hands to decide how much time is to be spent on each item. (*Cries of* 'Withdraw, withdraw'.)

Well, Sir, before we pass on, I simply wish to mention in this connection incidentally, here we find that a very large sum of money is to be spent on temporary establishments. Assistant Secretary Rs. 12,000, a new post.

**Mr. R. A. Spence:** Never mind.

**Mr. N. M. Samarth:** Leave that to the Retrenchment Committee.

*An Honourable Member*: It is non-votable.

**Dr. H. S. Gour:** I suggest, Sir, that, so far as the Foreign and Political Department of the Government of India are concerned, it requires retrenchment and drastic retrenchment. I may not be in order in dealing with the

specific points upon which the Government of India must address itself, but I make bold to say that this House will press for a reduction of the vote on the ground that the Foreign and Political Department of the Government of India needs drastic and immediate retenchment. I, therefore, Sir, move my motion.

**Mr. President:** The question is:

'That the demand under sub-head 'Foreign and Political Department' be reduced by 1 lakh.'

**Dr. H. S. Gour:** It is only 10 per cent. . . .

**Mr. Denys Bray:** I really feel, Sir, at a great disadvantage. The Honourable Dr. Gour has spoken in very emphatic terms and made a most emphatic demand for reduction. But, as far as I was able to follow the Honourable Member, he gave me no arguments to refute. He made general charges only—charges that this inflated Department is spending enormous sums. I rather expected the Honourable Member to justify these charges by drawing a picture of the enormities of what he calls a 'combined Department'. And what I want to impress upon the House is this: we may be combined for purposes of economy, but in reality we are not one, but two. There are two distinct Departments grouped under this head. There is the Political Department with its Political Secretary and his Deputy, dealing, as its primary function, with the Government of India's relations with the Indian Chiefs. There is the Foreign Department, with its Foreign Secretary and his Deputy, dealing with India's relations with Foreign Powers. Now, if I understood my Honourable friend, Dr. Nand Lal, aright in that oration of his which was cut unexpectedly short, he seemed to attempt to prove this proposition—that, as the Indian States were now in direct relations with the Government of India, those Indian States should have the privilege of paying the expenditure incurred over it. A curious argument, Sir. Still more curious will it appear when you turn from the Indian States to the Foreign Powers. Does the Honourable Member really think that Afghanistan, Tibet, Persia and the rest are going to pay us for the privilege of having direct relations with us?

Now Dr. Gour spoke, and spoke truly, of the expansion of this Department. With the progress of time, it has of course expanded. Does Dr. Gour think that India is the only country that has been developing? Does he think that those countries on our borders have stood still all these years? Or does he think that within India British India only has advanced, has developed, has an evolution before it? Take the Reforms, and the implications of the Reforms. Let the Honourable Member read Chapter X of the Reforms Report. Let him think for a moment of the extra work which is placed upon the Political Department in connection with the Reforms, in connection with the gradual evolution of the Indian States in connection with the Reforms. Let him remember the Chamber of Princes, of which the Political Secretary is also the Secretary. Let him consider the work thrown upon the Departments in the preparation of the Agenda, involving as it must do careful analysis of the pros and cons and of those past precedents, more dear to the political side of the Department than the side that I myself more immediately represent. Let him remember also how the Indian Chiefs are now coming more and more into direct relations with the Government of India. Take the Punjab States, for instance. They are now directly under the Government of India. In regard to the Madras Chiefs, the transfer is approaching completion. As regards Bombay, the matter, I understand, is still under somewhat lively debate. And let him think also of the change that has been brought about by the transfer of the Capital of India to Delhi. As far as the Chiefs are concerned, Delhi is the political centre of India. Its greater accessibility has meant a great increase of work on the political side. Chiefs, who used in the olden days of Calcutta to come in their ones and twos, now come to Delhi in their battalions. This alone involves an increase in the volume of work.

So far I have spoken of the work on the political side—that side of the Department of which I myself have no personal knowledge. Herein I am the spokesman merely of the Political Secretary, with whom the Foreign Secretary has far fewer dealings, far fewer points of contact, than with any of my colleagues here present. On the Foreign side, I propose to say very little. I have already pointed out the fact staring you in the face, that India cannot advance without paying the bill. She is for instance a member of the League of Nations. Does the Honourable Member really think that India is going to have the honour and glory and advantages of belonging to the League of Nations without having to pay any of the expenses connected therewith, or doing any of the work thereby thrown upon her? . . .

**Mr. N. M. Samarth:** What about the rights of India as an original Member of the League of Nations?

**Mr. Denys Bray:** I stand up for those rights. Your Foreign Secretary always will. The Honourable Member recited the vast number of officers we have got. Now, I put it to the House: on the political side we have one Political Secretary and one Deputy Secretary; on the Foreign side we have one Foreign Secretary and one Deputy Secretary. But for the purposes of economy these two Departments, though essentially distinct in their functions, are housed together, share the services of certain junior officers of whom there are two, one Under Secretary and one Assistant Secretary, and share also the general office establishment.

I will not recite the various duties which the Under Secretary and the Assistant Secretary perform; I will simply point out that the term Assistant Secretary is a term long used in our Department, and denotes in our Department something quite different from an Assistant Secretary under the reformed office procedure. But this Department, or rather these two Departments have one other thing in common. Secretaries of other Departments have their Honourable Member here to whom they can turn whenever necessary. We have not. Our Honourable Member is His Excellency the Viceroy. A very great privilege this, a very stimulating privilege, but clearly one which imposes an extra burden on the Foreign and Political Secretaries. For we cannot turn to our Honourable Member at any hour of the day on each and any case. Untiring though he is, even His Excellency cannot cram more than 24 hours into the day's work. It is therefore incumbent upon us to refer to our Honourable Member on matters of major and urgent importance only. This alone, I suggest, is one very obvious explanation, one cogent explanation of the growth of these two Departments. For the days when Lord Curzon was not only Foreign Member but also, if I may judge by the files and notes he has placed on record, his own Foreign Secretary,—those days are gone. With the increasing burden on His Excellency the Viceroy, the burden on the Department which I have the honour to represent has increased out of all knowledge.

But before I sit down, I want to say just one word about the office establishment which has been called into criticism. I am very proud to have worked with that office establishment. It is doing work which in England would be performed by comparatively highly paid clerks in many cases by clerks in the first division. That work has been performed by them in a way which commands my admiration and the admiration of every officer who has served in our Department. Their sense of public duty is beyond all praise of mine. Upon them devolves work always hard and very often of the greatest secrecy. They have always done that work without complaint and they have never belied the trust that has been reposed upon them.

**Munshi Iswar Saran:** Sir, I had expected that my Honourable friend, Mr. Bray, would give some explanation in regard to a point distinctly made by my Honourable friend, Dr. Gour. Dr. Gour pointedly asked as regards the Indianisation of the Foreign and Political Service. I am surprised that my Honourable friend, Mr. Bray, made no reference to it and I think he was right . . . .

**Mr. Denys Bray:** May I do it now?

**Munshi Iswar Saran:** May I do it on your behalf? If my Honourable friend, Mr. Bray, will trust me, I will give an answer so far as it can be gathered from official records. The situation stands thus. It was last year that a notice was given for the moving of a Resolution in regard to the Indianisation of the Foreign and Political Services. That Resolution was disallowed by the President as well as by His Excellency the Governor General in Council. Then an opportunity was taken in the Budget debate last year to raise this question and a statement was made by the then representative of the Foreign and Political Department. I shall not quote the words. I hope most of my Honourable friends here remember it; we were told that a scheme was being prepared and that scheme would satisfy the aspirations of India. After that my Honourable friend, Mr. Joshi, put a question in the Simla Session and the Honourable the Home Member then said that a scheme was being prepared. Now, we find that on the 2nd of September, 1921, a communiqué was issued by the Government of India in which this much-expected scheme was announced. What do we find in that communiqué? If I may say so without any disrespect, it opens beautifully, and, if my tribute of admiration for the officer who drafted it is worth anything, I shall certainly pay it. Mark the way in which it opens:

'With the approval of His Majesty's Secretary of State for India it has been decided to introduce a substantial Indian element into the Foreign and Political Department of the Government of India.'

When I read these words, I thought our woes were at an end. But when I had finished reading this communiqué, the hope created by the opening words entirely vanished. You get a lot of information as to how the recruitment is to be made; but most significantly there is no announcement, there is no indication as to how many Indians would be taken into these departments year after year. At the tail end of this communiqué we have been told that four Indians have been taken this year. Now, Sir, we are very grateful; I suppose the Government expects us to be grateful; so personally I shall be intensely and profoundly grateful for the appointment of these four Indians in the Foreign and Political Department. (Hear, hear.) But there is one question which I wish to ask. What about the announcement or statement made by the representative of the Foreign and Political Department last year during the Budget debate? I ask them to produce this scheme. Where is the scheme which would satisfy the aspirations of Indians? Where is the scheme, I repeat? Do we know, as a matter of definite information, how many Indians would be taken into this Department year after year? I say, Sir, and I say deliberately, that the Government of India have not treated us well in not making any definite announcement on this question about which most of us feel very keenly. How do matters stand, Sir? There are 140 officers sanctioned for the Foreign and Political Department; about 34 of them are military officers; and the rest are members of the Civil Service. I do say that, if the Government of India have not given us the number in their communiqué of the 2nd September, 1921, let them give it now. Let them tell us here and now; let my Honourable friend, Mr. Bray, tell us now how many Indians are going to be taken into the Foreign and Political services year after year. If Government imagines that the sort of scheme that they have framed will satisfy us, then they are grievously mistaken. If they really imagine so, then let me express my amazement at the simplicity of the Government of India. They know very well that what we want to know is the number of Indians that will be taken into these services every year and on this point, as I have already stated, the communiqué is utterly silent.

There is only one other remark that I wish to make. My Honourable friend, Mr. Bray, has given us an exhaustive list of all the causes that have led to an increase of the expenditure and the staff of the Foreign and Political services. My only surprise is that he did not drag in the great war and the rise of prices. The rest he has mentioned. Delhi has been made the capital, and what he has said is that large battalions of Indian Princes come here and perhaps upset their work. Otherwise, I fail to see what connection there is between the visit of this battalion of Princes and the enormous increase in expenditure and in the staff. Be that as it may, just at present, my grievance is that this Department has been and is even now practically closed to Indians. (Hear, hear.)

One word more, Sir, and I have done. We have been told in very high places that these Honourable Members are our trustees. I shall only beg our trustees to consider whether they should manage the trust property in a way that the beneficiaries are perpetually kept out of many of the benefits arising therefrom. (Laughter.) It is a peculiar trust; it is a trust, Sir, which in a court of law would not take two minutes to get upset. But I suppose if we attack this theory of trust, we are considered to be unreasonable and are perhaps regarded as extremists. But may I say that it was a distinguished Englishman who, about two years ago, exploded this theory of trust? But I shall accept this theory of trust, and, as a perpetual beneficiary, I appeal to my trustees to so manage the trust that some of the beneficiaries might be able to get some employment in this Department which exists for the good of the beneficiaries.

The motion was negatived.

**Mr. J. Chaudhuri:** Sir, I do not wish to press my motion:

'That the provision of Rs. 58,100 for three Solicitors under the sub-head 'Legislative Department' be reduced by Rs. 20,000.'

Three Solicitors, Legislative Department.

I only wish to draw the attention of the Honourable the Law Member to the fact that formerly there was one Solicitor employed, and now in his place there are three Solicitors. I don't want to press it, but I want the Honourable the Law Member in the interests of economy to look into the matter and curtail the expenditure under this head.

**The Honourable Dr. T. B. Sapru:** Sir, there is only one statement that I should like to make with regard to this branch of my Department. I am afraid that my Honourable friend, Mr. Chaudhuri, is under a great misapprehension when he says that formerly there was only one Solicitor employed. The fact of the matter is that there was a firm of Solicitors in Calcutta which

used to do the work of the Government of India, and they used to send a representative during the Delhi Session and a representative during the Simla Session, and we used to pay them a considerable sum of money. If my Honourable friend wants the figures, I am prepared with the figures also.

**Mr. J. Chaudhuri:** I want economy.

**The Honourable Dr. T. B. Sapru:** Then, in accordance with the Report of the Crown Law Officers' Committee, we decided to appoint separate Solicitors. Now we have engaged the services of Colonel Dunlop, a leading Solicitor of Bombay, and also of another Solicitor. The other Solicitor is a man with English training, and now we have got a third Indian Solicitor. I am afraid my Honourable friend does not know—I have gone through the figures—that the number of cases which are usually referred to this Branch is very much larger now than it used to be before, our biggest clients being either the Army Department or the Department which deals with stores and supplies. Now, one of the Solicitors has gone on leave, so that the work of the branch is being carried on now by two Solicitors only. I am not prepared to say nor do I see that there is not enough work for all the three. But I am prepared to say that, so far as the amount of work is concerned, it has considerably increased, and in addition to the actual number of files that are referred to them, there is a considerable amount of opinion work which they have got to go through across the table. A number of people connected with various Departments come to them and take their opinion at the table. Then there is a certain amount of work of which no record is kept, because it is of a confidential character, and I am excluding it from the ordinary routine work. These are the facts with regard to this Branch.

I will only add one thing more.. I am sure that a distinguished Member of this House, who belongs to that branch of the profession, will bear me out that it is impossible to get Solicitors at very much cheaper rates.

**Mr. J. Chaudhuri:** I may mention that the Calcutta Corporation employs a Solicitor who does all the work for the Corporation and yet he is paid only Rs. 1,500. I would only ask that, when the present member is going on leave, and if it is possible to manage the business with two members, the Honourable the Law Member will consider the question whether the establishment may not be reduced.

**The Honourable Dr. T. B. Sapru:** I make no such promise. I am speaking very frankly. I hope it will be conceded even by Mr. Chaudhuri that the Government of India is at least bigger than the Calcutta Corporation.

**Mr. J. Chaudhuri:** Not in the matter of claims and counter claims, other disputes and law-suits. But I would not press my motion, Sir. I leave it to the Law Member and the Retrenchment Committee.

**Mr. P. P. Ginwala:** Sir, I shall only take up two minutes. I want to know why in this Department there is no more Indianisation than there appears to be. This is not a Department in which the Government of India can say that they cannot find competent Indians to employ, nor is it a Department in which there is any bar under the third Schedule to the Government of India Act to which reference was made this morning by my Honourable friend, the Law Member, opposite. That Schedule says that, if one of the appointments is held by a member of the Indian Civil Service, the other appointments need not be held by members of that Service. In this case, if a Deputy Secretary was a member of the Indian Civil Service, then all the other appointments can be held by Indians. I should like to know why no attempt has been made to organise the Department on that basis.

General reduction, Legislative Department.

**The Honourable Dr. T. B. Sapru:** Sir, the only reply that I have got with regard to this matter is this.

**Mr. President:** Order, order. Does the Honourable Member move a reduction?

**Mr. P. P. Ginwala:** Yes, Sir.

**Mr. President:** The question is:

'That the votable portion of the demand for Rs. 8,07,900 under sub-head 'Legislative Department' be reduced by Rs. 100.'

**The Honourable Dr. T. B. Sapru:** What I will remind my Honourable friend opposite is that it is not correct to say that there are no Indians in the Department which I have the honour to preside over. There is one

Deputy Secretary who is a member of the Bar and there is an Indian Solicitor in the Solicitor's branch, with regard to whom, my friend, Mr. Chaudhuri, is anxious that there should be reduction.

**Mr. J. Chaudhuri:** I have not spoken against any particular person. I am for the wholesale Indianisation of this Department as there is no dearth of able and qualified lawyers in India.

**The Honourable Dr. T. B. Sapru:** As a matter of fact, there is no statutory bar to Indians being appointed in my Department. But it will be remembered that Indians can only be appointed when there are vacancies.

**Mr. P. P. Ginwala:** Make vacancies.

**The Honourable Dr. T. B. Sapru:** I refuse to be a party to anything of the kind. I refuse to create vacancies when the creation of such vacancies will be an act of injustice to the officers who are serving under me and no officers of Government have done better or rendered more loyal service than those who are associated with me.

(*A Voice*: 'Promote them'.)

The motion was negatived.

**Dr. Nand Lal:** Sir, in the interests of the motion which is going to be moved on behalf of the Democratic Party, I withdraw. (Hear, hear.)

Pay of officers, Education Department.

**Mr. J. Chaudhuri:** Sir, I would only draw attention to the Education Department where there is a much larger scope for retrenchment than is indicated in my motion. That is the object of my motion. I reserve my remarks when I speak on the general demand.

One Registrar and three Superintendents, Education Department.

Temporary establishment, Education Department.

**Mr. J. Chaudhuri:** Education is a transferred subject, and the duties . . . .

**Mr. W. M. Hussanally:** The Honourable Member must move his motion before he speaks on it.

**Mr. President:** I will point out to the Honourable Member from Karachi that there is this question before the House already.

**Mr. J. Chaudhuri:** I move, Sir:

'That the provision of Rs. 1,500 for Temporary Establishment under the sub-head Education Department' be reduced by Rs. 500.'

I only move it, Sir, for raising a debate and offering my suggestions with regard to the Department. This Education Department, and indeed the bulk of its work, has been transferred to the provinces. Formerely the Education Department used to have Local Self-Government, the Universities, primary education and secondary education under it. Now, the whole of that has been decentralised. Still, we have the Education Department and the Educational Commissioner's Department. My suggestion is that, now that they have been relieved of a great deal of work, they might be amalgamated and considerable retrenchment might be made with regard to these Departments. In saying so, I express my appreciation of the services that have been done during the transitional period by Mr. Sharp. A great deal of work has been done by him in connection with the University Commission and during the period of transition owing to the introduction of reforms. But I would suggest that it is time for retrenchment and that a great deal of retrenchment can be effected in these two Departments by amalgamating the two Departments. In that way, the Departments may be run under one Secretary. I also wish to mention another fact. I have seen that a member of the Indian Civil Service has been gazetted to succeed Mr. Sharp in the Department. I do not object simply because he is a member of the Civil Service, within the ranks of which many men of high educational qualification may be found, but I think it is not fair to the Members of the Educational Service. I only draw attention to these, and I would leave the curtailment of expenditure with regard to these two Departments to the Retrenchment Committee. But I invite the attention and co-operation of both the Finance Minister and the Education Member with regard to my motion.

**The Honourable Mian Sir Muhammad Shafi** (Education Member): Sir, apparently, even what in democratic language are called 'the nation-building Departments' are not to escape the pruning knife of the Democratic Party.

**Mr. N. M. Samarth:** Perhaps also of the National Party.

**The Honourable Mian Sir Muhammad Shafi:** I only wish that my Honourable and learned friend, Mr. Chaudhuri, had first ascertained for himself what actually the Department which he was pleased to call the Education Department does consist of. In the first place, perhaps, he is not aware that the Department of Education, as it was called before last year, is now the Department of Education and Public Health. In addition to the various branches denoted by Public Health and Education, it deals with a large number of subjects, which, in spite of the introduction of the Reforms Scheme, are still central subjects. The House will permit me to mention that our Department deals with the following central subjects:

> Port Quarantine, Marine Hospitals, Copyright, Central agencies and institutions for research, Ecclesiastical Department, Archæological Department, Zoological Survey, Census All-India Services, Bacteriological Services, foreign pilgrims, central Universities—formerly there was only one and now there are three—Imperial Library, Imperial Museum, Records and Imperial War Museum.

It is quite true that the following subjects with which we deal are transferred subjects, namely, Local Self-Government, Public Health and Education. But my Honourable friend perhaps is not aware that, even before the introduction of the Reforms Scheme, these three subjects were provincial subjects. (*Mr. N. M. Samarth*: 'But not transferred subjects.') May be. That only means that they were formerly controlled by the Executive Government, and are now controlled by the Ministers. That, to a certain extent, and not a very large extent, believe me, has made slight difference in the amount of work which comes up here in regard to these three subjects. But you must remember that while there has been some diminution of work in so far as these three subjects are concerned, there has from the 1st April last year been transferred to this Department the Civil Medical Administration which before that date was under the charge of the Home Department, so that, after the introduction of the Reforms Scheme the subject of Civil Medical Administration has been added to this Department. With what result? Let me give the House a few figures and you will then see whether any difference at all has been made, so far as the actual amount of work is concerned between what we used to have to deal with before the introduction of the Reforms Scheme and subsequent to its introduction. In the year 1920, the receipts in this Department amounted to 12,042. In the year 1921, the year after 12,146. The issues in 1920 amounted to 8,919 and in 1921, to 9,386. (*Mr. N. M. Joshi*: 'What are these figures about?') I am giving the figures relating to the work which we have had to deal with during the year 1920, taking the year previous to the introduction of the Reforms Scheme, and the year 1921, taking the year after the introduction of the Reforms Scheme, in order to show to you that the work with which we have now to deal since the introduction of the Reforms Scheme and the addition of the Civil Medical Administration to this Department is more than the work which we had to deal with prior to the introduction of the Reforms Scheme. (*Mr. Rangachariar*: 'How many of these are 'I have the honour to acknowledge receipt of your letter and to state that it will receive due consideration?') It should further be remembered that during the last year we have dealt with the Civil Medical Administration only for nine months, for that branch was transferred to us from the 1st April. The House will, therefore, be in a position to judge whether, during the current year, when we shall have to deal with that branch of the work for full twelve months the work will not be still higher than it was during the last year. Apart from this, I would ask the House further to remember that, even with regard to the three subjects which, under the Reforms Scheme, have become transferred subjects, there are provinces other than the Governors' Provinces whose work is still under the direct control of the Government of India even in those three Departments.

Now, to deal with all this work we have in my Department only one Secretary, one Deputy Secretary, and one Assistant Secretary. So far as the Secretariat goes, therefore, you will see that this Department is perhaps the most economically worked Department in the Government of India (Laughter and Hear, hear), and from my past experience of two years, and eight months I can assure the House that, but for the fact that my Honourable friend, Mr. Sharp, the Secretary in this Department, is a confirmed bachelor and therefore devotes the whole of his time to the work of this Department (Hear, hear, and Laughter), it would perhaps have been difficult for these three officers only to deal with the volume of work which flows to this Department. I may mention that of these three officers of the Secretariat two are Indians, namely,

the Deputy Secretary and the Assistant Secretary. (*Mr. Rangachariar*: 'It does not matter who they are.) I am perfectly sure that the Democratic Party would not like to turn out any of these Indian officers. (*Mr. Rangachariar* : 'If they are superfluous'.)

My Honourable friend, Mr. Chaudhuri, mentioned the fact that Mr. Sharp's successor was to be a member of the Indian Civil Service. It is quite true that the officer who has been selected to succeed him is a member of the Indian Civil Service, but I can assure the House that he has not been selected because he is a member of the Indian Civil Service. In my judgment, and I say it in all seriousness, in order to make the Reforms Scheme a success, it is essential that as Secretaries to the Government of India officers should be appointed who are in entire sympathy not only with the letter but also with the spirit of the Reforms. I may assure the House that the officer who has been so selected to succeed Mr. Sharp is, to my personal knowledge, imbued with that very spirit. In the second place, let me mention this fact that he may not be a member of the Educational Service, but he is an educationist in the best sense of the term. He is a distinguished graduate of the Cambridge University and for his brilliant career at the University he was selected Fellow of his College. He has for a long number of years been an active worker in the affairs of the Punjab University. After the passing of Lord Curzon's Act a Committee was appointed in the Punjab to revise the rules and regulations of the Punjab University and he was a member of that Committee.

Recently a Committee was appointed in the Punjab to consider the bearing of the Sadler Commission's Report on the state of things in the Punjab and to devise schemes of reforms in connection with that University. He, I believe, is Chairman of that Committee. I believe the majority of the Members of the Democratic Party are well acquainted with the spirit in which the affairs of the Education Department are administered ; and I can assure them that the selection has been made not for the reason that the officer happens to be a member of the Indian Civil Service that undoubtedly he happens to be —but for other reasons.

**Mr. P. L. Misra** (Central Provinces Hindi Divisions : Non-Muhammadan) : Could you not find a Member of the Indian Educational Service for this post ?

**The Honourable Mian Sir Muhammad Shafi** : I can only reply to that question by assuring my Honourable friend that it was after very careful consideration of all aspects that the selection was made.

**Mr. P. L. Misra:** But were efforts made to secure a Member of the Indian Educational Service.

**The Honourable Mian Sir Muhammad Shafi** : And my Honourable friends should also remember that Education is only one of the many Branches with which this Department deals, and in fact the Civil Medical Administration is certainly an equally heavy charge in this Department.

I do hope, Sir, that the explanation which I have given will satisfy my Honourable friends.

**Sir Deva Prasad Sarvadhikary** (Calcutta : Non-Muhammandan Urban) : Sir, my first quarrel with the Honourable the Education Member is in regard to what he has been pleased to say about Mr. Sharp and his undivided devotion to duty because he is a confirmed bachelor. I join issue with him entirely on this point, but he has probably spoken from his own experiences. A bachelor has distractions which a much married man has not. (Laughter.) He is obliged, Sir, to drown his cares and worries generally misnamed domestic bliss —amidst files and blue books. We have had other and more serious quarrels with the Education Member, both my University and myself have reasons to remember them. But, if I can not forget, I can forgive.

With all that painful experience and because of the chivalry left in me I am very much afraid, Sir, that I must oppose this proposal for reduction. It would be a bad day for India were the Central Education Department to be weakened. (Hear, hear.) It is true that Education is a provincial subject in some of its aspects, and a transferred subject in some other aspects; but, if we are to get along in the path of progress, as we want to, and uplift our people, if energies and resources are not to be wasted and complete co-ordination of educational activities of the whole continent of India other than those that the provinces can and should deal with, will have to be achieved, and that can only be done in the Central Education Department. Big technical, technological

and commercial educational questions and questions such as the newly created Central Advisory Educational Board are dealing with, are quite large and many more may and should be added, I am free to confess that there is room for a good deal of improvement, re-arrangement and also retrenchment such as has been suggested here. On another branch of the question I do feel that it would be an advantage to have a technical educationist as Secretary. I also feel that an Indian might well be appointed to the post, that not having been done about the Secretary that has been selected, I am bound, however, to endorse what has been said about him. There is hardly a Butler who is not already a born educationist. They are certainly educationists by tradition and training and this particular gentleman did good service in connection with the Public Services Commission. I had the pleasure of coming in contact with many of them, and this particular gentleman's interest in and sympathy with India is very great. I do not, therefore, apprehend that, during the next *regime*, we shall have very serious difficulty. It had been anticipated that there would not always be a Secretary in the Education Department who was a trained and professional educationist; that was why the appointment of Educational Commissioner—always an Educational Expert—was created and has done good work so far and may be trusted to do more.

I must not take up the time of the House, as we have a great deal of work to do. I shall therefore not attempt to go through a long list of the various phases of the special work that the Education Department and the Educational Commissioner are now doing and have to do and which the Provinces cannot and should not do. It would be truly astounding to find how much work is here for the Department to do, that is not yet done and that cannot be done by any but this Department. I think it would be short-sighted policy to attempt to apply the pruning knife in the way proposed. I confess that there is room for retrenchment and possibly some other Departments may be usefully brought under it. I am sure that when the proper time comes, this will be done by the Retrenchment Committee.

**Mr. S. C. Shahani:** I rise to point out that at any rate in one item there is room for economy. I find that there is a separate Educational Commissioner on a salary of Rs. 2,500 rising to Rs. 3,000, while there is already a Secretary drawing Rs. 4,000. (*A Voice*: 'That is quite different'.) If that comes up for consideration afterwards, I would say a word in regard to the successor of the Honourable Mr. Sharp. I am disposed to pay a tribute of admiration for the excellent work that has been done by the Honourable Mr. H. Sharp during his terms of office. But his term will soon expire. And who is to succeed him? I did not for a moment realise that any but an Indian would be appointed. It is said Mr. Montagu Butler has been appointed. It may be true that his successor is a very competent man, able to deal with educational matters . . . .

**Rao Bahadur T. Rangachariar:** May I rise to a point of order? Is the motion under reference connected as it is with the temporary establishment—a proper head for these remarks?

**Mr. S. C. Shahani:** I would not have offered these remarks here; only that the Honourable Member in charge of Education started addressing himself to this point. I hope I shall be permitted to say what I have to in regard to this matter here. My idea is that an Indian on any occasion like the one in question should have been appointed. It is a distinctly mistaken policy to go in for a competent European when you can get an equally competent Indian to do educational work. Appointment of Europeans to educational posts creates a wrong impression in the minds of those who have been urging that the various Services should be Indianised. The justification that has been put forward will be found anything but satisfactory.

**Mr. J. Chaudhuri:** I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. J. Chaudhuri:** I wish to say only a word on this motion:

Temporary Establishment, Educational Commissioner.

'That the provision of Rs. 2,000 for Temporary Establishment under the sub-head 'Educational Commissioner with the Government of India' be reduced by Rs. 1,000.'

I did not reply to the Honourable Education Member, because I had to move this motion. My suggestion was that these two Departments, that is, the Educational Commissioner's Department, and the Education Department of the Government of India might be amalgamated, and thereby considerable retrenchment might be effected. The Honourable Member for Education also said something about the Medical Department. I do not wish to reply

to him at present but when I come to deal with that Department I shall offer suggestions to relieve his Department of a great deal of work because the bulk of the function of the Medical Department are now provincialised. So I do not say anything more in this connection but wish to confine myself to this motion. I raise this point for the purposes of debate and I press the view that these two Departments should be amalgamated and retrenchment effected in these two Departments by amalgamation and reorganisation and not for mere nominal reduction.

**Mr. S. C. Shahani :** Sir, in this connection I should like to know what the duties of the Educational Commissioner are? I understand that . . .

**Mr. President :** This item refers to the temporary establishment and not the Educational Commissioner.

The motion was negatived.

**Mr. B. S. Kamat :** Sir, I beg to move :

Revenue and Agriculture Department.

'That all votable items under sub-head 'Revenue and Agriculture Department' be omitted.'

With reference to this motion, Sir, the object which I have in view is to elicit an expression of the opinion from Government whether, in view of the fact that now we have in the provinces an Agriculture Deparment well-equipped, it is necessary also to have a duplication of certain officers in the Imperial staff.

**The Honourable Mr. B. N. Sarma** (Revenue and Agriculture Member) : Sir, I am glad I have been given this opportunity of explaining the working of this Department, its ideals and the scope of its activities in the near future with a view to dissipate the impression that, now that the Reforms Scheme has been introduced, considerable retrenchment in the activities of this Department, which is being carried on practically with the same staff, as before the war can be effected. The question that has been pointedly put is whether, in respect of agriculture proper, it is necessary to have at Pusa a staff which may be said to be a re-duplication of the staff which is existing in the provinces. I would point out that the object of the staff at Pusa is somewhat different from the objects for which the staffs in the various provinces have been recruited. It has been realised for a very long time that, inasmuch as agricultural improvement and agricultural research are mutually interdependent upon, the Government of India should make itself responsible for carrying on research on a scale which may not be attempted and which cannot possibly be attempted in the provinces, and coupled with that object there has always been the idea to impart in agriculture the highest education that is possible anywhere and that is a task which, it has been urged for a long time, can properly be undertaken by the Government of India. Of course, in course of time, it may be found that the provinces and the Provincial Governments are desirous of undertaking this whole burden and of relieving the Central Government of their functions. I think, when such a time comes, the Central Government will have no objection whatsoever to retire from the position which they feel they have to occupy at the present moment. But I would suggest that, inasmuch as the question of food production is one of the most vital problems that we have to tackle, I do not think any money should be grudged upon the development of the activities of a Department upon which the future resources of the country would be so largely dependent. It is with the object of improving the agricultural resources that at Pusa a Research Institute has been established, which has been able to achieve some remarkable results in the way of research proper. But I may add that we hope very shortly to institute a course of training in higher agricultural education in Pusa. We hope, if possible, to undertake it partly this year, so that it may not be necessary to send all our youth abroad for the purpose of training in higher education in agriculture. It is necessary that we should have an efficient staff not only of research workers but of assistants also to enable them to undertake the dual duties of research and educational work. It is partly with this object that the staff is being recruited and the buildings are being constructed, and I hope that this House will not stand in the way of the development of this Department.

Then, with regard to the Department as a whole, because this motion seems to contemplate a very wide scope, I may be permitted to state in a few words that the Revenue and the Public Works Departments, have, with a view to all possible economies being effected in the work of all the Departments of the Government of India, had added to their

work business which has been transferred from the Commerce Department. The Revenue Branch deals now with the whole subject of Indian Emigration hitherto dealt with in the Commerce Department. I may remind Honourable Members that here we are dealing with a vast subject in which the interests of about a million people abroad are involved, a million people inhabiting more than 33 countries, and I may assure the House that, during the next few months, the work of the Department would be enormously increased because we have to prepare, under the new Emigration Act, notifications in respect of the many countries with regard to which emigration has been temporarily prohibited. It is with reference to this work that an Assistant Secretary is badly wanted, and the existing officer is shown on the Revenue side, and it is in regard to him that a Resolution has been put forward here. It is impossible, I think, even with the economies that we may effect by an amalgamation of the several branches to be able to carry on the work efficiently unless some temporary staff is added to it. I may submit, Sir, that my experience of the Department both before the introduction of the Reforms Scheme and subsequently is that with regard to essential matters we are getting practically the same work as heretofore for the simple reason that, even previous to the Reforms, it is only the larger aspects of policy that were considered by the Government of India. Take, for instance, Land Revenue. We have to deal now with very contentious Bills and all these Bills come up to us for scrutiny. It may be that we have not the same say now as we had before but still we have got to do this scrutiny work. What has added to the work of this Department is the addition of Posts and Telegraphs, with reference to which I need not say much at present. Therefore, the addition of the Emigration Department and of Posts and Telegraphs is more, I think, than the staff of these two Departments combined can cope with. I hope, therefore, that this explanation will show that, whatever economies can be effected have been properly kept in view in organising these two Departments and in taking on additional work in the manner I have pointed out.

**Sardar Bahadur Gajjan Singh** (Punjab : Nominated Non-Official) : Sir, I rise to give my whole-hearted support to the views expressed by the Honourable Member in charge of the Department of Revenue and Agriculture. In fact, my complaint is that the most important industry of India has for so long been neglected. We all know that India is essentially an agricultural country. 75 per cent. of the population live upon agriculture or live upon those who live upon agriculture. If we compare the efforts of the Government of India with the efforts of the rest of the world, I think, we will be justified in saying that almost nothing has been done to develop agriculture here. If we just compare the figures of Canada, Java and Australia with agricultural results in India, the state of things will appear to be simply deplorable. We have got a lot of land, we have got canals ; our land is not bad, but Government has not been spending comparatively anything to improve agriculture. There are no research institutes worth the name. Take one instance, that of the sugar-producing countries such as Java and others. Their produce of sugarcane is, I understand, four, five or even ten times that of our produce. The same is the case with cotton and other agricultural industries. It is perfectly clear that the fault does not lie with the cultivator ; he has not been helped, much less encouraged by the State. I am sure that, if the Government of India were to pay attention to this most essential reform, not only would the cause of discontent disappear, but the country's wealth would be considerably increased and they would better be able to bear the burden of such heavy taxation as we are face to face with to-day. I wish that the Government of India could spend more and more and more money upon this agriculture. Therefore, Sir, I submit that this House should unanimously vote for any expenditure under this particular head, which, it is my painful duty to point out, has so far been neglected.

**Mr. B. S. Kamat** : Sir, I wish to withdraw my amendment after the explanation given by the Honourable Member in charge.

The motion was, by leave of the Assembly, withdrawn.

**Mr. P. P. Ginwala** : I beg to move the next motion :

**Army Department.**

'That the votable portion of the demand for Rs. 2,68,480 under sub-head 'Army Department—Pay of Officers' be reduced by Rs. 100.'

Sir, the object of this amendment is to bring under discussion what purpose this Army Department serves so far as we are concerned. I have always thought that, when there is a difference likely to arise between two Departments, we maintain one Department as a sort of watch-dog over the other Department, and I should have thought that, under

ordinary circumstances, this Civil Department of the Army would protect us in some way or other against the Military Department of the Army. But I find, Sir, that the Civil Department, as it is represented in this House, has placed itself entirely at the mercy of the Military Department, which is not represented in the House for the moment. (Hear, hear.) We should have expected that that part of this Department which is supposed to look after our interests, would have done something to try and reduce this military expenditure against which we have been crying for generations past, and to meet the wishes of the whole country which has been resenting the scale on which the Army in India has been maintained. But we heard the Honourable Member for the Army in this House the other day, and I could see no distinction whatever between the Army as it is represented by him and as it is represented by his Chief, His Excellency the Commander-in-Chief. (Hear, hear.) I do not see why he should come to this House and ask us to support his Department, which is kept up, not for the purpose of helping us in any way, but for the purpose of coming in our way on every possible occasion. I could understand, Sir, the Department coming to the House and saying : 'Here we are trying to reduce the military expenditure of the other Department over which you have no check'. But a Department which comes here and supports that other Department has, I say, no right to expect support, so far as we are concerned. They have also accepted the principles on which that army is maintained. What are the principles on which they say they maintain the Army? The first, of course, is defence against foreign aggression. We have nothing to say against that. But the other principle is that of maintenance of internal peace and order. Now, Sir, this House and this country will not accept that as a principle upon which the maintenance of an Army can be justified. The maintenance of internal peace and order in the country is the proper function of the police, and, if such a doctrine as this were accepted in your country, I do not know what your country would say to those who preach it. You have got to look at your history and see what that doctrine of the maintenance of internal peace and order in the country by an Army meant. It cost at least one crowned head and many precious lives to vindicate the principle that an Army is not to be maintained for internal purposes. And you find every year in your own country an Act, the first line of which says :

'Whereas the maintenance of an Army in times of peace is illegal ; It is hereby enacted etc.'

Now, Sir, you say that the Army is to be maintained for internal order. We deny that principle. But I am willing to assume for the sake of argument that you have to keep some sort of a force for internal purposes. No doubt, circumstances unfortunately have arisen now and again when the use of superior force has been necessary. I say if the use of such a force is necessary, I expect this Department anyhow to divide the Army into two, that portion of it which is required for internal purposes and the other required for external defence. I expect them to convert the former into a police force; and to bring that question before this House by placing such a force upon the ordinary estimates from year to year, from time to time, as it is done in your own country. That is a thing which has never been suggested at any time by this Civil side of the Army Department, for which we are asked to vote this large sum of money. (Hear, hear.) I say that, so far as that Department is concerned, it had better be abolished. It does not help us in the least. It does not throw any light on the manner in which they spend the money or the manner in which they maintain the Army. Once a year, for two days, a discussion is allowed as a matter of course . . .

**Mr. N. M. Samarth :** An academic discussion.

**Mr. P. P. Ginwala :** And the military authorities get up and explain to us what they are about, and we are then expected to reply to that within the space of 2 hours which are left to us, ordinarily speaking, after the Army side of the question has been represented. That, I submit, is not the way in which that Department should treat us in this House; and, as I submit, Sir, unless this Department is prepared to divide the Army into two, and to put that portion of it which is required for internal purposes on the estimates, we shall refuse to grant them any sum of money (Hear, hear ) ; because, from our point of view, it is a Department which has miserably failed in their duty; and what is more, I do not blame the Army Department alone because I understood the whole of the Government accept that same principle. We shall deal with the rest of the Government in their turn, but, so far as this Department is concerned, I should like to know from it what it has done to deserve any support from this House, and why it comes and says that any money should be voted by this House in order that, in combination with the Military authorities, our military expenditure may be increased from year to year. I now, therefore, commend this motion to the consideration of the House.

**Sir Godfrey Fell:** Sir, I confess that I have been taken somewhat aback by this attack of my Honourable friend, Mr. Ginwala, and I still feel some doubt as to his intentions. I am not sure whether the Assembly is being asked to pass a vote of censure upon myself, a vote of censure upon the Army Department, which I have the honour to represent here, or a vote of censure upon the whole of the Government of India.

**Dr. H. S. Gour:** Divide it among yourselves equally.

**Sir Godfrey Fell:** Thank you. I understand from my Honourable friend's speech that the *gravamen* of the attack upon my Department is that it fails to protect the Legislative Assembly against the Military authorities . . . .

**Rao Bahadur T. Rangachariar:** To protect the country.

**Sir Godfrey Fell:** That it fails to look after the interests of the tax-payer; and that, when I have the presumption to address this Assembly in the course of the Budget debate, I actually speak more or less on the same lines as His Excellency the Army Member. I am somewhat surprised at an accusation of this sort being made by the Member of a Party which has already established a reputation for party discipline (Laughter), but I ask my friends, the Democratic Party, in all seriousness, whether they expect me to come here and to say that the Government of India strongly disapprove of His Excellency the Commander-in-Chief; that the Military authorities are unconscionable in their extravagant demands; that we have done our best to keep them in order, but that we are sorry to say we have failed—we will try to do better next time. Is that really the way in which the Assembly considers that the Secretary in a Department should speak on behalf of that Department in this House?

Then, I will ask Mr. Ginwala what he knows of the working of the Army Department.

**Mr. J. Chaudhuri:** We get no opportunities of knowing.

**Sir Godfrey Fell:** The Honourable Member says that no opportunities are given. Can the Honourable Member give me any instance in which I have failed to give this Assembly information which can properly be given? I am not aware of any. As to the working of the Army Department, if the Assembly care to hear about it, I can read them quite a lot. I have here a list of the functions of the Army Department, covering about 20 double lines of print. I shall be pleased to read it out, if the Assembly wish to hear. Perhaps they would rather not.

The Honourable Member in moving this motion went further and said that the Army Department came in their way on every occasion, and was always, as I understood him to say, defending another Department. Now what is the position of the Army Department? The Army Department is the Department of the Government of India which is concerned with all military and marine matters. It is a small Department consisting of a few officers and about 100 clerks. All the correspondence of the Government of India in connection with defence matters, all questions of military policy, have to be dealt with by this Department. Every order relating to military expenditure or military policy has to be issued by this Department. It also has to administer the Royal Indian Marine; it is closely concerned with the Ecclesiastical Department and the Indian Medical Department, and various other matters too numerous to mention here. The soldiers who form Army Headquarters work under the orders of His Excellency the Commander-in-Chief as Commander-in Chief, and have a dual function. On the one hand, they have to advise the Government of India, through the Commander-in-Chief, on large questions of policy; on the other hand, they execute, under the orders of the Commander-in-Chief, certain functions of administration in relation to the Army in India, for instance, in such matters as the location of units, the distribution of troops, the movement of troops by sea and land, training, discipline and so on. In all these matters they have to perform certain important administration and executive functions.

The functions of the Army Department and Army Headquarters are quite separate; the views of the soldiers reach the Government of India through the filter of the Army Department; and I defy my Honourable friend, Mr. Ginwala, to say what effect that filter may have upon the opinions expressed by the staff at Army Headquarters. He cannot possibly know to what extent these questions of policy may have been influenced by the views of the Army Department.

The next point the Honourable Mover took, Sir, was that the maintenance of law and order is not a function of the Army Department and should be performed by the police. I am under the impression that His Excellency the Commander-in-Chief, speaking the other day in this Assembly, said that he would be only too glad if these functions could be handed over to the Police. But I have here, Sir, a Resolution in connection with the Esher Committee debate last year. This was the Resolution, which was moved by Sir Sivaswamy Aiyer and adopted by the Assembly a year ago :

'That the purpose of the Army in India must be held to be the defence of India against external aggression and the maintenance of internal peace and tranquillity.'

Has the Assembly changed its mind on this rather important question in the course of one year? I pause for an answer.

**Mr. N. M. Samarth :** I will give it.

**Sir Godfrey Fell:** As long as that Resolution stands, I think that the Government of India are entitled to take the view that one of the functions of the Army in India is the maintenance of internal peace and tranquillity.

Another complaint that the Honourable Member made surprised me somewhat. He said that the Army Department never throws any light upon the manner in which the money is spent in connection with the defence of the country. Now, Sir, Honourable Members who desire information about the expenditure of the Government of India have generally to find it for themselves in one of those voluminous books which are issued by the Finance Department at Budget time. Last year, shortly after I became Secretary in the Army Department, knowing that military matters were a sealed book to many Members of the Assembly and that great interest was likely to be taken in it, I went to considerable pains to prepare a memorandum in which I compared the scale of pre-war expenditure with that proposed for the current year. This year again, in spite of considerable pressure on my time, I have prepared another memorandum which compares the actual expenditure of the current year with the Budget figure, and also compares the Budget of the current year with the Budget proposed for next year. I should like to remind the Assembly that, so far as I know, mine is the only Department which has done this, and that there is no obligation whatever on my Department to prepare such a memorandum. It has been voluntary attempt on my part to assist Honourable Members to understand a somewhat complicated and technical subject, and to state the facts in the clearest and simplest language possible; and I am surprised that, instead of evoking any expression of gratitude, I have heard, for the second time in this Assembly, a grudging reference to these memoranda and a complaint of the inadequacy of the information they contain. (*A Voice:* 'Not against you'.)

I am dealing now merely with a motion to reduce the Army Department grant by Rs. 100. I understand, from a remark of one of the Honourable Members, that this may be regarded as a vote of censure to be equally divided between myself, the officers of my Department and the Government of India. In this case I cannot speak for the Government of India, that is, the Members of the Executive Council. As regards myself, I am indifferent; but I should like to say a word in defence of the officers of my Department who, though very few in number and though extremely hard worked, have always given me the most loyal and efficient assistance.

**Mr. N. M. Samarth :** Sir, I do not understand that the object of the Mover of this motion is to pass a vote of censure on any individual officer. I think I am speaking the mind of every non-official Member here when I say that every one of them has admiration and respect for the work which the Honourable Sir Godfrey Fell has been doing. (Hear, hear) Therefore, let none think that this is going to be a personal matter or a matter of personal censure. It is merely a question of policy, and, as the Honourable Member knows, this House is restive and resentful that it has not got any vote on the Military Budget and this is only an expression of that opinion, as I understand it. As regards the function of the Army, I question the propriety of the words 'maintenance of law and order' which were used. Restoration of peace and tranquillity is a different thing altogether; it means repressing or suppressing disorder and restoring order; that is the function of the Army. But the maintenance of law and order is the function of the civil authorities and not the function of the Army. The Army does not step in unless and until the civil authorities become powerless to maintain it; and if the Honourable Member refers to the report of the Police Commission—which I have not got before me, but if my memory stands me in good stead—there is a paragraph in that report as to the functions of the Army and the armed police and they say that it is not the function of the Army to step

in unless the civil power has become impotent and unable to maintain law and order; and they go further and say that it is the duty of the Local Governments and provincial Governments to spend enough money to have efficient armed Police for the maintenance of law and order, which is not the function of the Army. It is not right for the Local Government or any Government, for the matter of that, to make the Army do a thing which they really hate. So far as my memory goes, that is the sum and substance of what the Police Commission have recommended. That being so, I say that if the Local Governments have been negligent of their duty in not having armed Police suited to their local conditions and requirements, this Government should insist upon that being done; but that is no justification for having a large number of troops for internal security that this Army Department maintains. It is a wrong conception of the duty of the Army upon which the total strength of the internal security force is maintained; and that is the *gravamen* of the charge, and let not the Honourable Member think that the passing of this vote means, as I say, any censure upon the Department or upon any person connected with the Department. It is indicative, as I say, of the feeling of this House that it is a pity that they have to vote taxation upon a basis which takes away from their purview nearly 50 per cent. of the central revenues.

**Sir Montagu Webb** (Bombay: European): Sir, I should like to say a few words in connection with the motion before the House. There is no doubt whatever that the amount which we have been asked to provide this year for military expenditure, over sixty-eight crores, is very heavy, heavier in fact in my opinion than this country can continue to bear with safety. (Hear, hear.) Look at it how we may, the percentage of military expenditure to that of the total expenditure is somewhere in the neighbourhood, I calculate, of 35 per cent; and I am convinced that a percentage of that character, if it continues, must mean the paralysis of the activities of Government in many other Departments. (Hear, hear.) What this country needs at the present moment is to save all that it possibly can, first of all to repair the wastage of war, secondly to repay floating debt and build up its arrested development and thirdly to carry forward that progress in various Departments upon which it has set its heart. I am convinced myself that further progress cannot be made unless the proportion of money allotted to military expenditure be reduced. Now, I do not wish there should be any mistake in what I am saying. I do not advocate at this moment any reduction in the strength of the army. I entirely disagree with my friend, the Mover, that the army is not necessary in India in connection with the maintenance of internal peace and order. I think that a military force must be kept, and is kept in all countries, to assist the Civil power in times of danger. But I do think this; I do think there are directions in which economies in military expenditure might be effected, possibly by a reconsideration of matters of policy, certainly by a cutting down of military office establishments, and certainly by a more effective management of the Supply and Transport services. It was only a few days ago that His Excellency the Commander-in-Chief stated, I will read his exact words:

> 'When the internal situation is quiet, when a united India can show that her loyalty and devotion to the British Empire are beyond question, and when those who ought to know better cease to stir up racial animosities, I shall be prepared to consider reductions in the Army . . . . .'

Well, I take it that we are moving now in the direction of a more settled condition and of a more peaceful state of affairs. (Hear, hear.) I think, therefore, that we can reasonably look forward before very long to a reduction in the actual numbers of the numerical strength of the Army. I am not pressing for that now, because it is a technical matter, on which I have not the necessary knowledge to enable me to speak; but I do wish to join in with those expressions of the House for economy which we have already heard, I wish to associate myself with the feeling that the scale of military expenditure is too heavy and that the attention of the Government should be directed to reducing that expenditure. If any assurance of that kind were forthcoming from Government that this could and would be done, I feel certain that this House would raise no objection to the passing of the Demands for Grants in their present form. (Hear, hear.)

**Mr. Abdur Rahim**: Sir, I was very much surprised to hear the criticisms that were levelled by various Members against the Army. I am sorry, Sir, when the general discussion took place, I was not present here. But I would appeal to the Honourable Members of this House that they should seriously consider whether this military expenditure is not necessary, and we can do without it. I do not know if all Honourable Members are aware of the fact that it was only yesterday that serious disturbances took place on the Frontier. What assurance have they got that

there will not be another disturbance ? It was only a few weeks ago that we signed the Peace Treaty with the Amir of Afghanistan. The Bolshevists are still busy in hatching their conspiracies in Kabul—thanks to the Political Department we have checked their progress for the present.

Another thing is—I am sorry that His Excellency the Commander-in-Chief is not present here to-day,—I would tell one thing to the House, and they would be surprised to hear it. I think it was only a short time ago that His Excellency the Commander-in-Chief had an interview with press representatives, and he explained to them that in the independent territories the people have got 1,30,000 up-to-date European made rifles, in addition to their own Pass made rifles. I can say with authority, Sir, that the number of their own Pass made rifles which are in no way inferior to European rifles and which can be equally used for the purpose of destruction, is more than 5 lakhs in the independent territories. I make this statement with authority and I challenge any Member of this House, civil or military, to come forward and rebut it. Well, His Excellency the Commander-in-Chief will have to supply troops against the offensive in case all the independent tribes should rise at one and the same time. I shall be the first man to suggest that as much money as possible must be saved under ordinary circumstances, but, at the same time, I must say that the military people are treated worse than people who are sentenced to death. I may tell the Assembly that there is a Jail custom that anybody who is sentenced to death is given an option to eat anything he likes one day before he is hanged. I am afraid these members grudge these soldiers even that unpleasant privilege. The question is whether the military expenditure about which much has been said here is spent for the use of the military people or for the private purposes of anybody else, or whether these sums are spent in constructing roads for taking munitions and for making provision in order to enable the military people to fight in a better manner. I am sorry to see, Sir, that such a criticism should be levelled against the Army, that such a feeling should exist against the Army. The thing is, we must give the military people due credit. I was surprised to see my Honourable friend, Mr. Ginwala, moving this motion, because he has much to do with the handling of the new Democratic Party, and I think he will be in a position to say how much difficulty he has got to approach each and every Member. So, in the same way, all those officers, who have to control these troops and discontented soldiers have to face the same unpleasantness and anxiety. Such remarks as are made in this House have a very undesirable effect on the soldiers. I come from a part which has contributed not a little to supply men, and I am proud to say that we have given a good many soldiers in the last war, and they all cry out and say : 'Oh, look at the Government, we all fought for this country and the result is that, whenever we want anything, they say, they have no money.' We may differ in other matters, but, as far as the Army is concerned, I think our sole prestige, our sole dignity, our sole safety depends on the Military Department, and I think it should be the sacred duty of each and every Member to see that the Military Department is not starved, because with a true sense of citizenship—I am sorry I cannot say what should be the functions of the military men—I think, being a Pathan myself, the duty of a military man is to strive to fight and to kill, and be killed. (Laughter.) I say this much that no Member in this House will say that any soldier in the Army has refused to do so, and I think it is due to these military officers that we won the last war (Hear, hear), it is due to them that India has got her proud right to be represented in the League of Nations. With these remarks, Sir, I oppose this motion, and I would request my Honourable friend, Mr. Ginwala, to withdraw it

**Mr. Jamnadas Dwarkadas :** I am sure, Sir, that the Government of India realise that it is their attitude on this question which is largely responsible for the attitude which the non-official Members of this House are taking up. (Hear, hear.) What response had we to the numerous appeals that were made almost unanimously by this House to the Members of the Government of India ? (Hear, hear.) These appeals were made not only inside this House, but they were made throughout the length and breadth of this country, and both European as well as Indian non-official opinion expressed itself very strongly against this heavy expenditure that is mercilessly thrown on this poor country. Sir, what response had we from the Government of India, I ask ? His Excellency the Commander-in-Chief, in words which we certainly very strongly resent in this House, made it absolutely clear to us that it was not possible for him to bring about a state of affairs so as to effect reduction in military expenditure ; and it was not merely the considered opinion of His Excellency the Commander-in-Chief as a soldier. I could understand that opinion if it came from one who was a soldier if he did not give it on behalf of the Government of India. The Honourable the Finance Member, speaking

at the end of the debate, made it quite clear to us that it was not merely the considered opinion of His Excellency the Commander-in-Chief, but it was the considered opinion of the Government of India and of his colleagues and that every one of them thought that it was not possible to reduce the military expenditure. Sir, if this is the attitude of the Government of India, I think the Government of India can well understand that this House which is composed of men who can hold their own against any other nation, is certainly not going to put up light-heartedly with the attitude which the Government of India have taken up in this matter. (Hear, hear.) Sir, my Honourable friend, Mr. Samarth, has already made it clear, and I entirely agree with him, that the attitude of this House does not mean any censure on those who are engaged in the work of the Army Department.

But it is a condemnation—and I want to be very clear about it—it is a condemnation of the attitude that the Government of India have taken on the question. (Hear, hear.) Sir, His Excellency the Commander-in-Chief told us that, until wise men in this country took upon themselves not to bestir people, until a better condition prevailed, it was not possible to reduce the military expenditure. Sir, let me assure you, if the Government of India want to help Members of this House and sensible men in the country who think—and I can assure the Government of India that there is a large and overwhelming majority of men who are convinced—that the progress of this country and the future prosperity of this country depends entirely upon its willingness to co-operate with Great Britain, if the Government of India want to help our work, they cannot do it by the attitude that they take up, but by putting confidence in us, by taking us into their confidence, and allowing us to co-operate with them, in criticising them and in having a voice in the military expenditure that should be thrown on this country. Sir, with these words, I support the motion that has been moved by Mr. Ginwala.

**Dr. H. S. Gour:** Sir, if I intervene in this debate, I do so for the purpose of replying to some of the arguments advanced by the Honourable Secretary of the Army Department. I voice, Sir, the feelings of the non-official Members of this House when I say that we feel ourselves in an awkward position, having to find the money when we have no voice in the spending of it. But that is not all. Our point of view was brought home last year by the Honourable Sir Sivaswamy Aiyer who categorically challenged the point of view of the Esher Committee by pointing out that the object of the Army of India was not to advance the Imperial policy, but purely local defence. I ask the Honourable Secretary of the Army Department whether the organisation of the Army in India is not subservient to the Imperial policy. He will no doubt say: 'It is not'. But I ask him this question: 'Is he prepared to lay on the table the correspondence that must have taken place between the Government of India and the Secretary of State upon this huge and appalling sum which is charged to military expenditure? Is he sure that the War Office is not dictating the policy of the Government of India in matters military?

**Sir Godfrey Fell:** Sir, I can answer my Honourable friend's question at once. The Assembly heard a week ago from His Excellency the Commander-in-Chief that there is no truth whatever in the idea that the War Office dictates the military policy of the Government of India.

**Dr. H. S. Gour:** So much the worse, Sir, for the Military Department If the policy of the Military is merely to beat off the border marauders and to preserve internal peace, then I see no necessity for that extravagant expenditure and the latest equipment with which this Army is provided. We were told by His Excellency the Commander-in-Chief in a speech delivered elsewhere that out of the total sum of 63 crores budgeted for on account of military expenditure, about one-third is spent upon troops engaged for the maintenance of internal peace and order, that about one-third of the troops are kept for the defence of the frontiers and that the remaining third are of what are called the covering troops. Now, Sir, I ask the Honourable the Secretary of the Army Department, how is it that these internal troops which are merely maintained for the purpose of doing Police work are not kept on a Police footing? How is it, I ask, that they are equipped and armed exactly in the same manner as if they were ready to take the field against a first class European foe? I submit, Sir, that the duty of maintaining internal peace and order is a duty which is not cast upon the Imperial Army. It is the duty and primary function of the police. I further submit, Sir, that it is a duty which the citizen army in all countries is expected to discharge. I, therefore, venture to think that the explanation given for keeping up this huge army in India, that it is for the purpose of maintaining internal peace and warding off external aggression,

cannot hold water. We have been told by one of the Honourable Members of this House that the North-West Frontier tribes are in possession of a large number of muskets or guns. If the whole of this Army organisation in India is for the purpose of warding off these frontier raids, then, I submit, that it has singularly failed in its object. The object, I submit, is not for the purpose of coping with the frontier troubles.

Lastly, Sir, I submit that the main crux of the whole question lies, as stated by the Honourable Sir Montagu Webb, in the question of costs. Can India bear this crushing burden? I have no doubt, Sir, that this House will unanimously, by giving its vote in support of this motion, declare and say 'No.'

**Mr. K. Ahmed** (Rajshahi Division: Muhammadan Rural): I move, Sir, that the question be now put.

**Mr. B. S. Kamat:** With reference to the statement just made by Sir Godfrey Fell in reply to Dr. Gour, I hope I shall be given an opportunity to challenge that statement.

**Chaudhri Shahab-ud-Din** (East Central Punjab: Muhammadan): Sir a part of what I had intended to say has been anticipated by my learned friend, Dr. Gour, in what he has just said. I will simply try to amplify the point of view which he has put forward before this Honourable House. We have been repeatedly told that one-third of the Army is kept, and consequently one-third of the expenditure is incurred, for maintaining internal peace and order, while one-third is kept to protect India from external aggression, and the remaining one-third is kept on the borders of India to protect the peaceful subjects of the North-West Frontier Province from the raids of Afridis, Waziris and other independent tribes. Let me for the sake of argument accept this division as perfectly sound and correct. Let me also assume for the sake of argument, nay, let me admit as a matter of fact that there is unrest in India. There can be no two opinions that peace and order are absolutely necessary and should be maintained at any cost. Yet, I join issue with those who maintain that nothing but a regular Army, equipped with up-to-date inventions and machinery can maintain peace and order. May I ask how many times during the past five years, despite the fact that unrest has been at its zenith during that period, has the Military been actually employed in maintaining peace and order? Is it not a fact that generally, and almost invariably in all cases, with the exception of a few that can be counted on the finger, it is the Police which has coped with the situation and have maintained peace and order without any difficulty? Now, let me push this argument a little further. Where one constable of Police costs, say Rs. 30, a member of the regular Army costs three times, nay fives times that amount. If I am not mistaken in my calculations, the exact ratio is 5 to 27. Then I ask the Member in charge of the Army Department or the Member who represents that Department, why we should not employ constabulary instead of soldiery for maintaining internal peace and order. Constabulary can do the same duty and serve the same purpose as soldiery. This argument I venture to think is unanswerable. It may be said that the Police may not be able to cope with a situation and there may be occasions when the regular Army may have to be employed. Let me grant this for a moment. Yet, the army which is intended for guarding the country against external aggression can be requisitioned in cases of emergency, as that Army cannot be supposed to be always busy against an external enemy, nor are the Frontier people so turbulent as to give us trouble constantly. A treaty of peace has been signed with Afghanistan. The Bolshevik terror is yet very far off and we should not be afraid of it especially when the Frontier people are not giving us trouble every day. In these circumstances, is it preposterous for me to suppose that, in case of need, that is if and when the Police fail or are found to be insufficient to maintain internal peace and order,—is it preposterous to suppose that we may then draw upon these two-thirds who are maintained for protecting us against external aggression or for guarding us against the Frontier raids? Well, even supposing th at, when such an exigency arises, these forces are not available for use for a long time, why can't we recruit in the course of the short space of two or three months the trained demobilised soldiers who are available in large numbers in the country at present? Why cannot we do that? Even if that be found to be impracticable, why should not we keep a reserve force in the country which may be called up in case of need? Why should we not resort to all such possible and practical schemes which have indeed been acted upon and found to be very useful in other countries? Why should we go on burdening India with a heavy taxation? Why should 35 per cent. of the whole revenue of the country be spent on the military? I venture to think, that is a question which is unanswerable and that is a position

which is insupportable. I do not agree with those who say to-day or may say hereafter that the Frontier should be left to itself and that no revenues should be spent on protecting it. Those people who say so, have absolutely no knowledge of the Frontier. The Frontier has to be guarded against at any cost, at any expense. (Hear, hear.) But let us not confuse the issue. The Frontier is one thing, potection against external aggression is another, while the maintenance of internal peace and order is quite a different thing. It is this last need which, in my opinion, can very well be managed by the police. Why should the army be kept or made to perform the duty of the police? Let us police the country sufficiently, and if we yet find that we stand in need of employing now and then the regular army we can reconsider the question and, if necessary, then the country's resources might be tapped and money actually needed collected.

I have only one word more and that is with regard to Sir Godfrey Fell himself and his Department. I think his Department is indispensable. It is acting as a link between the Military Department and His Excellency the Governor General. There can be no two opinions that that Department is essential. It is a branch of the Secretariat which conducts correspondence between His Excellency the Governor General and the Military Department of the Government of India. No censure, personal or otherwise, was intended by the Mover of this motion or by any other speaker; but, with a view to vindicate the principle that this House should be given a voice in spending the money, which it is expected to vote for and collect for the Government, and to give expression to the sense of disappointment on that score, I think the sum of Rs. 100 should be reduced. I hope the House will unanimously endorse the motion.

(At this stage Mr. Deputy President took the Chair.)

*Some Honourable Members*: 'I move, Sir, that the question be now put.'

**Dr. Nand Lal**: The Honourable Khan Sahib Abdur Rahim Khan (Cries of 'Khan Bahadur')—I beg your pardon, the Honourable Khan Bahadur Abdur Rahim Khan has said that he is a Pathan and has come from the North-West Frontier Province and that he possesses the most valuable information, and on the score of that information he has appealed to the House that the military expenditure is necessary. But I may tell him that I come from the neighbouring province and he will excuse me for making bold to say that I have studied this question very carefully and given expression to my views on this subject on various occasions previously, and that I am quite prepared to question the correctness of some of the statements made by my Honourable friend. So far as the bugbear of frontier tribes is concerned, I may tell him once for all (and I have given expression to this opinion before), that it was unreal and very much exaggerated in any case. This is the fallacy which has been troubling the military officers who have been posted there to look after the Frontier. Many raids have been committed and they go to prove the poverty of the ability of the Military Department and the administration there. So, if my learned friend says that there is justification for a Standing Army on that account, I may tell him that he will feel disappointed if he looks at the result. He is altogether wrong in his calculation. Raids after raids, so many dacoities, so many murders—these troubles could not be removed by the Military Department till now, and, therefore, we cannot entertain any hope whatsoever that the so-called Standing Army will be able to put an end to them. In so far as internal peace and order in British India is concerned, remarks have already been offered and I associate myself with them. An improvement in the Police Department will be sufficient and will meet this want, and there is no necessity for keeping a Standing Army. The money which is being spent on this Department is a very heavy figure which is appalling and the whole country feels shocked. Therefore, we, as a body, express the opinion that the Government will kindly try to see its way to reduce this expenditure. I may assure the House that there is no idea of any personal insinuation or censure against any person at all. With these few remarks, I support the motion which has been so ably moved.

**The Honourable Sir William Vincent**: I do not wish to address the House on the question of military expenditure, as that has been debated at great length the other day, and indeed it is no part of my duty to deal with it. There is, however, one thing that, speaking as a member of the Government of India, that I want to say, namely, that I have never understood that any decision reached as to military expenditure went further than to say that the provision which was made for the Army this year could not be reduced

without reducing the combatant troops and that, as it was impossible to do that this year, the expenditure for the year 1922-1923 could not be reduced—I never understood that the decision went in any way further than that.

But I want to turn to another aspect of the case, namely, the duty of the Local Governments, and it is only because some aspersions have been cast on Local Governments, and the manner in which they have performed their duty in this respect that I really have risen to speak. I believe my Honourable friend, Mr. Samarth . . . .

**Mr. N. M. Samarth:** I may say, Sir, that I have not cast any aspersions on Local Governments. I referred to the Police Report and said that it was the business and functions of Local Governments to have armed police . . . .

**The Honourable Sir William Vincent:** Sir, when I was interrupted I was just going to say that my Honourable friend, Mr. Samarth, was, as far as I could see, correct in what he had said about the Police. (Laughter.) I have also got the report of the Police Commission here. My recollection was the same as his and I have verified the facts. But as to the other point, important as he is, Mr. Samarth is not the only pebble on the beach. There are others who did reflect on the conduct of Local Governments in this matter (*A Voice*: 'No, no'), and I desire to show them what the principle accepted by Government is.

Sir, the Government of India recently issued a letter on this subject, in which it was stated that in previous discussions of this question the principle had always been maintained that the preservation of the public peace was the duty of the Police who should be able to deal promptly and effectively with local disturbances without invoking the aid of the military. Later, in the same Circular, the Government reaffirmed the principle laid down in 1879 by the Committee over which Sir Ashly Eden presided which runs as follows:

'It must be remembered, however, that though the maintenance of tranquillity and the safety of British India depend ultimately on the existence of military forces, yet the duty of preserving order and protecting property and of quelling disturbances rests primarily with the civil police'.

That is the principle we have always accepted, namely, that the duty of maintaining law and order is primarily that of the Police. When they are unable to cope with the situation effectively, then they call in the military and I think Honourable Members of this House would be astonished if they knew of the number of occasions during the present year when Local Governments have found it necessary to call in the aid of the military for that very purpose.

**Dr. H. S. Gour:** If your Police is insufficient, strengthen it.

**The Honourable Sir William Vincent:** Will the Honourable Member kindly allow me to continue my speech?—I have often listened to very much longer ones from him—Sir, in that very letter we addressed to Local Governments we asked them if they would not consider this question of strengthening the Police, and I am glad to say that many Local Governments have taken this matter up. For instance, in Madras they have now 600 armed Police for Malabar alone; in the United Provinces they are recruiting a large number of armed police, about 2,000, or 2,500 I believe, and they are doing the same thing in the Punjab. Honourable Members must, however, remember that the political conditions existing at present are exceptional, and, if any of them could use their influence with some of their more extreme countrymen in this unfortunate land (*A Voice*: 'Help us to do so'), and induce them to modify their activities against Government and their efforts to create hostility towards Government, our task would be easier. Sir, I maintain, you cannot in the present circumstances say that it is safe to rely on the Police for internal security.

Let me cite a recent case from Madras. When there was trouble down in Malabar, a regular howl there was for troops—and not for Police—and that demand continues up to this very moment. Troops there were needed purely for the purpose of maintaining internal security and in fact the number of troops maintained in Madras for this purpose is very small. In my own province again, the number of troops for internal security is so small as to be inadequate to meet any serious disturbance, and when we have had this country on the verge of serious disturbances in the past as in 1919, I can certify that many Local Governments at once made demands for additional troops in order to protect the people and keep the peace. That has been our experience. But the whole of this question of troops for internal security has been repeatedly investigated and for the moment what I only want to make

clear is the respective responsibilities of the Police and the Army in the maintenance of public tranquillity, and to show that Local Governments have not been negligent of their duty in recruiting additional Police.

I also want to make another point clear, namely, that the question of military expenditure was considered by the Government of India in respect of the coming year, and the decision reached affects that year and that year only.

**Dr. H. S. Gour:** I move that the question be now put.

**Mr. Deputy President:** The question is:

'That the votable portion of the demand for Rs. 2,68,480 under sub-head 'Army Department—Pay of Officers' be reduced by Rs. 100.'

The Assembly then divided as follows:

AYES—60.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barodawala, Mr. S. K.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Cotelingam, Mr. J. P.
Das, Babu B. S.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Ibrahim Ali Khan, Lieutenant Nawab M.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
McCarthy, Mr. F.
Misra, Mr. P. L.
Misra, Mr. B. N.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Adit Prasad.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Spence, Mr. R. A.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Webb, Sir M. dePomeroy.

NOES—28.

Abdul Rahim Khan, Mr.
Aiyer, Mr. A. V. V.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Crookshank, Sir Sydney.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Kabraji, Mr. J. K. N.
Mitter, Mr. K. N.
Percival, Mr. P. E.
Renouf, Mr. W. C.
Sapru, the Honourable Dr. T. B.
Sharp, Mr. H.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Zahiruddin Ahmed, Mr.

The motion was adopted.

(At this stage Mr. President resumed the Chair.)

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

General reduction. 'That the demand under head 'General Administration' be reduced by Rs. 5,43,800.'

Sir, it is a very modest proposal. This head consists of 18 Departments, as Honourable Members will see, costing over a crore of rupees and we have been very modest in our proposals. I therefore commend it for the acceptance of this House.

**The Honourable Sir William Vincent:** I gather, Sir, that this also forms a part of the programme to reduce all expenditure by 5 per cent.

**Dr. H. S. Gour:** At least by 5 per cent.

**The Honourable Sir William Vincent:** Well, Sir, in these circumstances may I say that the expenditure that seems to me to be particularly fortunate in this respect is expenditure on Legislative bodies. It does seem a little curious that every other Department should be cut, but this Assembly by a large

vote should refuse to make any deduction in the expenditure on itself. The total expenditure on the Legislative body is 7 lakhs odd excluding Council reporters and Council Secretaries. And when Mr. Chaudhuri's motion was under discussion this morning, I asked my Honourable Colleague, the Finance Member, whether I should be in order if I propose 5 per cent. reduction on the demand under that head. He said that I should be at once howled down. Sir, the demand for expenditure on Legislative bodies must be of a singularly deserving character and now turning to the motion directly before the Assembly, may I say that I cannot speak in regard to any other Department except the Home Department. In that Department I should have preferred to have my own retrenchment, to make a reduction of even more than 5 per cent. without any mandate from this Assembly. I have already intimated this to my Honourable Colleague, the Finance Member. Sir, if the Assembly insists on limiting the amount we are to curtail to 5 per cent. . . . . .

**Dr. H. S. Gour:** By at least 5 per cent.

**The Honourable Sir William Vincent:** I understand that the motion says nothing about 'at least'. I shall, however, endeavour to give effect to the wishes of the Assembly and will leave other Honourable Members to speak for themselves. On behalf of other Departments, I should add that the reduction that I propose to make will not necessarily be of votable expenditure only. I expect really to save more on non-votable expenditure.

**Sardar Gulab Singh** (West Punjab: Sikh): Sir, I support the proposed reduction of the charges under the head of General Administration and suggest the direction in which the reductions may be effected. I would like to draw the attention of the House to the sub-head of Contingencies, exclusive of the items of postage and telegrams under it, where reduction can easily be effected.

This contingent grant I think should be and ought to be curtailed, because it seems that there is no sufficient check over it.

Sir, in supporting the motion, I would like to draw the attention of the House to the following. I will quote a few items of expenditure, which, if I am not wrong, are incurred from this branch. Every year, several bicycles are purchased for the use of the office peons. Some of these are utilised for office purposes, but, at the same time, many of them, unfortunately, serve the private ends of men of the Department including even junior officers. After the use of these bicycles for five months in Delhi, they are generally not cared for or are sold off to the men of the Department at a nominal price, some times even for a trifling sum of Rs. 15 or Rs. 20. Then, Sir, durries, carpets, furniture, tapestries, curtains, coal for the office chimneys, are purchased in large numbers and quantities for offices, but they are purchased in excess of what are required solely for those Departments and show a vast wastage. Sir, though all these aforesaid items of expenditure seem to be trifling when taken separately, yet all these mickles, when collected together, will make a muckle.

There are so many items of expenditure over which, practically speaking, there is very little control, and all these items of expenditure are met from this vast sum of money granted by the House every year. By supporting the reduction of this sum, I do not mean that the legitimate expenses should not be incurred. What I object to is the extravagance and I want to stop certain wastage of public funds.

In this connection, I would urge that a proper account for the sum voted under this head should be kept and be made available to the Members of the Standing Finance Committee whenever they like to scrutinise it. If they are satisfied with the account, then I think Government can demand a further supplementary grant under this head and the Finance Committee, when satisfied, will, I think, not raise the least objection to sanctioning the money. In these days of financial stringency it is meet and proper that we should try to economise wherever possible.

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): I want to say only one word in connection with what fell from the Honourable the Home Member in reply to Dr. Gour in regard to this House not curtailing its own allowances. Might I remind the Honourable the Home Member that the allowance given to the Members of this House, while they remain here in Delhi, is almost a starvation allowance. Some of us who come here do so at considerable inconvenience and loss of business. (Hear, hear.) I know a few gentlemen here who could, if they remained at home, make thousands a month, whereas here they are to remain content with only a paltry sum of Rs. 20 a day. Therefore, it is not for this House to curtail any of their allowances, but rather the fat salaries drawn by the Honourable Members of the Government. (Hear, hear.)

**Mr. Jamnadas Dwarkadas:** Sir, there is only one point on which I wanted to offer some remarks. The Honourable the Home Member referred, perhaps rightly, to the reluctance on the part of the Members of this House to cut down their allowances. I am afraid he was not quite accurate when he said that by a large majority, the motion was thrown out. I might remind him that the motion was thrown out by only a narrow majority of 5 or 6 and that, because the Members of the Government did not vote. If they had voted, the motion might have been carried. However, I do want to say this in regard to our own allowances—I do not know whether I am expressing the opinion of other Honourable Members of this House—that I feel certain that there are a large majority, if not all the Members of this House, who, if it is possible for the Government to effect a 5 per cent. or more than 5 per cent. reduction in the Budget under the head of General Administration, would not mind 5 per cent. being taken off from their allowances. (*A Voice*: 'The whole'.) At the same time, Sir, I want to point out that it is neither the allowance that we get for bringing our motor cars here nor any other allowance that attracts us to be Members of this House. (Hear, hear.) If the motor car haulage were not given to us, and, if, therefore, we were to resent that treatment by refusing to come here as Members of this House, then I feel that we would hardly deserve to be Members of this House. Our membership does not depend on what the Government gives us, either a motor allowance or any thing else; it depends, Sir, entirely on our desire to do our bit for the country (Hear, hear) by using constitutional methods. (*A Voice*: 'In a spirit of self-abnegation'.) And, Sir, I want to say this. If there is any one here of opinion that we do not want to sacrifice anything from what we get—I feel we are actually making a great sacrifice,—that we are allowing something to be taken away from that sacrifice if we insist on these small things being given to us in order that we may come and enjoy our privilege as Members of this House. I repeat, Sir, that there is need for retrenchment, that it is possible for this administration to effect economy at least to the extent of 5 per cent. I am sure the Honourable Members of the Government will do their best and I am sure they will succeed, if they want to, in effecting this economy, and I want to let them understand once for all that, in effectiug this economy, the Members of this House, even if it means some portion of their allowance being given up, will not stand in the way at all.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, superfluous as it may seem at this stage of the discussion, after the remarks which have fallen from the Honourable the Home Member, to say anything in support of this motion, I wish to avail myself of this opportunity for making one or two suggestions. The reason why we have been obliged to adopt this rough and ready method of proposing a reduction of 5 per cent. is because we are at a great disadvantage in criticising the estimates submitted to the House. The large majority of the Members of the House do not possess the necessary technical knowledge and the necessary acquaintance with the working of the Department to be able to offer any effective criticism, to point out where there are superfluous establishments, to point out where the wages paid are too high for the work done and to offer any criticism which can be really accepted as sound. That, I think, is a difficulty to a great extent incidental to our position. It is a difficulty which, however, I find is not confined to this House but has been experienced in the House of Commons. I find that, some time last year, a Resolution was moved in the House of Commons for the appointment of an Estimates Committee and for the appointment of an officer of experience of the House to assist the Estimates Committee in the scrutiny of the estimates and proposals which might be submitted by the Government.

That proposal was examined at very considerable length in the House and it was eventually decided by the House to appoint an officer who was called by one Member an Examiner of Estimates. Objections were raised to that proposal by the Chancellor of the Exchequer and by certain other Members who supported the Government that it would involve the creation of a separate and costly establishment like that of the Comptroller General or the Auditor General. But eventually the House was satisfied that that proposal for the appointment of an Examiner of Estimates would not involve the creation of any elaborate or expensive Department, and it was eventually decided to appoint an officer of independence and experience to assist the House. It might, perhaps, be said that we have in the Finance Minister a gentleman who is most anxious to effect retrenchments in the estimates which have been presented by the other Departments. It is undoubtedly true, and I can say with confidence from what little knowledge I have of our present Finance Minister, that there is no one more keenly intent upon economy than Sir Malcolm Hailey. (Hear, hear.) But, at the same time,

we know what importunity can be brought to bear on him by his colleagues who are in charge of the various administrative Departments. It may be that in this year they have not succeeded according to the measure of their desires; but there is the fact of importunity by the Members representing other Departments. Speaking with regard to the relations between the Treasury and the other administrative Departments in England, it was once remarked by an experienced English official of the administrative Departments: 'In small matters the Treasury bullies us; in large matters we cheat them'. That is not an experience which is likely to be confined to England. If it is possible in England, it is possible also in this country, and howsoever wakeful a watchdog, as he has been called in the House of Commons, the Finance Minister may prove to be, it is not inconceivable that his proposals may be coloured by the views of his colleagues. At any rate, the Finance Minister cannot overrule any decision of the collective Government after it has been arrived at. It is only till the collective Cabinet arrives at a decision that it is open to the Finance Minister; but once the Government has decided upon anything it is not open to the Finance Minister any longer to resist the applications which have been made to him for expenditure or for ways and means to provide expenditure. It is for this purpose that this Resolution was arrived at by the House of Commons, and I respectfully offer this suggestion for the consideration of Government at a later stage.

**The Honourable Sir Malcolm Hailey:** I am grateful for much that Sir Sivaswamy Aiyer has said. It is perfectly true that we have done our best to secure economy in the administration of the Government of India in the very difficult circumstances in which we have found ourselves for two years. I have received the greatest assistance from all Civil Departments, the greatest willingness to accept the pressure we have brought on them to cut down all new demands. I have received from some Departments in particular great readiness to attempt actual retrenchments. We have had many suggestions. The Honourable Sir William Vincent has mentioned some in regard to his own Department. I know of other Departments which are merely waiting to collect full figures and to complete their inquiries before suggesting on their own part similar savings to us. I think the House recognises that we, no less than they, feel the difficulty of maintaining the heavy burden of expenditure which has been forced upon us owing to prevalence of increased prices and the greatly increased cost of materials of all kinds. I do not think the House—many as are the criticisms which Members feel themselves obliged to raise against us,—the House really in its heart feels that we have been oblivious of the necessity for keeping down expenditure, and, where possible, for reducing it. (Hear, hear.) Let me assure the House once again that what we have said on the subject of the Retrenchment Committee is by no means half-hearted, and is by no means intended to camouflage the situation. We have every intention of giving that Committee as wide a scope as possible, of giving it as powerful and influential a constitution as possible, of appointing in short a Committee which will be authoritative, and not only likely to effect reductions in expenditure but also to afford to the country some guarantee that an independent and authoritative body has looked into the general scale of our expenditure. (Hear, hear.)

And now let me take this particular Grant. I would like to point out to the House one fact, namely, that this Demand which deals with the general administrative expenditure of the Government of India shows no considerable increase over the actuals of 1920-21. The House must not think for a minute that I am bringing this as a charge against the Assembly itself; but it is a fact that a large part of the increase as between 1920 and 1922 is incurred in the expenditure upon legislative bodies and the necessary increase involved in the Legislative Department on their account. I say that only by way of explanation and no more; but I wish to make it clear that with regard to our central expenditure we have certainly for the last two years shown no great tendency to increase. Well, the House wants us to show a tendency not merely to avoid increase but actually to effect decrease. (Hear, hear.) I am quite willing to call upon all my Colleagues here to join me in effecting economies on the same scale as those announced by the Honourable Sir William Vincent, and I have every hope that they will, as the result of the opinion expressed in this House and of the pressure which the Government of India itself is placing upon them, manage to effect these economies.

There are other heads of expenditure which I and some of my Colleagues have found it necessary to defend against proposals for reduction—I mean heads of expenditure which are in themselves really remunerative and where reduction would involve us in a probable loss of revenue. I feel however, and I have indeed felt for some time, that the head of the General Administration is one in which we could very justifiably proceed to effect reductions.

On the part of Government, therefore, there will be no further opposition to the reduction which the House has set itself to make in regard to this Demand.

**The Honourable Mr. B. N. Sarma:** Sir, speaking on behalf of the Department under me, although it is impossible to indicate clearly at the present moment the lines along which retrenchment will be possible, I have a clear hope that with a few adjustments it will be possible to effect a 5 per cent. reduction.

**Dr. H. S. Gour:** No, no. Yours is 15 per cent.

**The Honourable Mr. B. N. Sarma:** Well, let us hope it will be 20 per cent. We would not object to that at all, if it can be done, but I think the 5 per cent. may be possible.

**Chaudhri Shahab-ud-Din:** With your permission, Sir, may I ask one thing—whether the assurance which has been so very kindly given to this House by the Honourable Members for Government relates only to this item, or to the whole Budget? If it relates to the whole Budget and we are assured that Government will make a start, I think our labours here will be shortened.

**The Honourable Sir Malcolm Hailey:** I do not think that the Honourable Member could possibly have misunderstood what I said. I said very clearly that on this particular Demand for Grant a reduction could be justifiably made. I would never attempt to stand between this House and a reduction where I myself think it was justifiable.

The motion was adopted.

**Mr. Jamnadas Dwarkadas:** I withdraw my motion.

**Mr. S. C. Shahani:** There are certain other motions, Sir. (Cries of 'Withdraw'.)

**Mr. President:** Does the Honourable Member wish to move them?

**Mr. S. C. Shahani:** I have got only one word to say with regard to my motions concerning the Education Department.

**Mr. N. M. Joshi:** I move that the question be now put.

**Mr. President:** The Honourable Member is aware that we have had several motions with regard to the Education Department. The Honourable Member must guard his own opportunity if he sends in late motions.

The question is:

'That a reduced sum not exceeding Rs. 71,33,100 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'General Administration'.'

The motion was adopted.

AUDIT.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 72,19,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Audit'.'

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Sir, I beg to move:

Establishment for quasi-commercial accounts.

'That the provision for establishment, etc., for overhauling quasi-commercial accounts of Government be reduced by Rs. 500.'

I presume that the item to which I refer relates to the visit of certain members of an English firm of chartered accountants who were engaged to overhaul the accounts of quasi-commercial Departments of the Government as also of the Army Department. If Honourable Members will turn to page 46 they will find that under Auditor-General there is an item 'Establishment, etc., for overhauling quasi-commercial Accounts of Government,' and this accounts for something like Rs. 11,000. In Simla I had some questions with regard to this matter, and it appeared that up to June 1921 a sum of Rs. 17,530 was spent upon the visit of these gentlemen to India, besides £2,211 drawn upon the Secretary of State between the 4th October, 1920, and February, 1921. This gives a total expenditure of about Rs. 50,000. Then, again, we all remember that we had to pass a Supplementary Demand for Rs. 82,000 for expenditure in England in this connection while at Simla. I want to know from the Honourable the Finance Member as to what the total cost is likely to be for this item, and what progress has been made in the work that was entrusted to

these gentlemen. Then, Sir, I come to another question. I drew the attention of Government to the fact, rather I inquired if it was a fact, that the said accountants submitted bills and charged Government for various expenses of an entirely personal nature, such as cost of entertainment of friends, cost of recreation and amusements and subscription to clubs, dentist's bills, and other items of a like character. In reply, practically the whole thing was admitted by the Honourable the Finance Member; it was stated 'that the bills included Rs. 66-5-0 for entertainment of friends and Rs. 110-7-0 for subscriptions to clubs; the latter was specially permitted for purposes corresponding to the half-expired periods of subscriptions to similar clubs in England. The contract is for reasonable hotel and living expenses and I am informed,' says the Finance Member, 'that when the contract was entered into, these gentlemen were given to understand that such items would be included in that category. Now, however, that the matter has been brought to notice it has been arranged that the amount of these items shall be refunded and no further payments on account of such charges will be made.' So my next question is: 'Has that amount been refunded?' Then, Sir, I am entirely surprised that the gentlemen who were expected to improve our accounts should ever have thought it proper to submit such bills to Government; and I am more surprised to find that the Audit Department actually passed these bills, and it was left to a non-official Member of this House to draw attention to this matter, upon which the Government were pleased to state that they would take steps for the refund of this amount. In these circumstances, Sir, I intend this motion to be a motion of censure on the Department of the Auditor-General.

**The Honourable Sir Malcolm Hailey:** The Honourable Member first asked, Sir, as to the progress of expenditure on account of the special inquiry. I may tell him that the special inquiry is now closed; and, as far as is now known, no expenditure save perhaps some small arrear adjustment will be incurred in India on this account during the coming year. If the House has any doubt whether it has obtained full value for the money expended on this inquiry I can only refer it to an opinion recently expressed to me by our Auditor-General. The House knows that our Auditor-General is not an executive officer of Government; he is an independent authority with statutory obligations towards this House and the Secretary of State. It was at his instance that we obtained from England the services of this firm of accountants. I think there is no firm in England which enjoys a higher reputation, no firm which has received greater recognition for the exceptional services rendered in connection with English accounting during the war. We were exceedingly lucky to obtain their services at the price we paid. It was necessary for us to undertake this special inquiry in order that we might obtain, what I know the House values very greatly, proper revenue and capital accounts in many of our commercial and semi-commercial departments. We are now receiving reports from the Accountants and we shall give effect to them as rapidly as possible. As for the other small incident to which the Honourable Member referred and which we set right ourselves as soon as it was brought to our notice, does he really desire to take up the time of the House at this late hour with a discussion of a matter of that nature? It was of small financial importance; it was due purely to a misunderstanding in regard to the interpretation of the contract that was made for us in England; it was set right as soon as the mistake was discovered, and I think, that being so, it would be entirely undesirable that I should occupy the time of the House in further discussing it this evening.

The motion was negatived.

**Dr. Nand Lal:** Sir, in the interest of the Party to which I belong, I do not wish to move this motion:

'That the demand under the head 'Audit' be reduced by Rs. 20,00,000.'

I shall have the chance of speaking about the subject later on.

**Rao Bahadur T. Rangachariar:** Sir, I move:

General reduction. 'That the demand under the head 'Audit' be reduced by Rs. 3,94,800.'

It is not without regret that I move this item under the head 'Audit,' as I know that Audit is an insurance against extravagance. At the same time, many of us consider there is scope for retrenchment in this Department also, and, therefore, Sir, our Party has decided to reduce it as much as possible instead of the Rs. 20,00,000 proposed by Dr. Nand Lal. We are proposing only the ordinary 5 per cent. reduction and I know, having regard to the ability of the officer who now conducts the affairs, he will accede to the wishes of this House and of the Finance Department in making this retrenchment in his Department.

**Mr. N. M. Joshi:** Sir, while speaking on this motion I should like to get some information from the Honourable the Finance Member. We have got now an independent Auditor for the Government of India's accounts and I should like to know whether the military accounts of the Government of India are completely under the control of this Auditor General. As far as I can see from the Budget statement, the military accounts are not completely under the control of the Auditor General while it is, I think, the only department which should be first brought under the control of an independent Auditor General. Sir, at present the Auditor General conducts a kind of test audit in the military accounts, and this system does not, in the first place, give the Auditor General complete control over the military accounts and in the second place, compels us to spend more money for a duplicate machinery of audit. There is the military audit, and then the Auditor General has to maintain his staff to test the audit of the Military Audit Department. I, therefore, want some information from the Government of India why the military accounts are not completely under the control of the Auditor General.

**The Honourable Sir Malcolm Hailey:** I will answer first Mr. Joshi's question. The Auditor General is by law the authority ultimately responsible for the audit of all accounts of the Government of India, both Civil and Military. In regard to civil audit he is also the administrative head of the whole department, which is of course concerned both with audit and compilation of accounts. As regards military accounts, while he is, as I have said, ultimately responsible for the correctness of audit, he is not the administrative head of that department.

**Mr. N. M. Joshi:** Why?

**The Honourable Sir Malcolm Hailey:** For a very simple reason. We need a separate organization for the compilation of military accounts, an organization in some respects of a different nature from that which undertakes the work of civil accounts. We have to have a large number of men doing specialised work, only partially connected with audit; we have men attached to regimental units, others keeping arsenal and ordnance stock accounts and so on. Mainly for administrative convenience, therefore, we have placed that department under a different administrative head. But when you come to the question of audit, as I said, the Auditor-General is ultimately responsible; any question of doubt goes to him for decision and he has his officials to carry out test audit just as is done in military accounts in England. In that respect, Sir, we work, I believe, on exactly the same lines as in England. There is no extra cost on that account, because if the Auditor-General did not maintain officers to conduct test audit, we should require a large number of men to inspect the audit offices on the military side.

Now in regard to the reduction which Mr. Rangachariar proposes. I accepted the last motion because I believed that reduction could be carried out (Hear, hear), and for that reason I did not desire to oppose it. But, Sir, where a reduction cannot be carried out without injury to the country and to the State, I am bound to oppose it. It is improper that I should stand here and pretend to the House, which after all must take the responsibility, that a reduction can be made without injury to this department. I have said that the Auditor-General is an independent authority. The expense of the audit department has been increased largely because we are responsible not only for central audit but for the audit of accounts of the Local Governments, and their expenditure has everywhere increased. In one province alone, I think, there has been an addition of some 8 to 10,000 Government servants in recent years. The reform scheme has added to the work both of audit (which has to watch appropriations closely) and of compilation. All this means naturally an addition to the cost of the department. Now my friends on the Standing Finance Committee, who have often heard Mr. Gauntlett on this subject, know with what scrupulous care he has put up his proposals in regard to the expenditure of his department. They know full well that all his officers have represented to him that their establishments are on the point of breaking down. They know that there are establishments which for a long time have been unable to get leave save on medical certificate, and I have seen questions asked on this subject in this House. Now are you prepared to add to that state of affairs? The Auditor-General has informed us that he cannot be responsible to this House and to the Secretary of State for the correctness of his audit unless he obtains from us a very much larger sum for additional establishment and for raising the minimum pay in certain quarters. (Hear, hear.) He has warned us of this with great seriousness, and I would ask what answer am I to make on behalf of Government, or indeed what answer can the House give to the demand of an independent audit authority

who maintains that he cannot be responsible for the correctness of audit unless he obtains a larger establishment and improved pay? We have not been able to give him what he has asked for. Let me give the figures. Rightly or wrongly, we thought it was necessary in the present state of affairs to defer these schemes of the Auditor-General. We knew there was a risk, but we decided that risk must be taken in the interests of economy. His demand amounted altogether,—and I have told the House of the scrupulous care with which these demands are presented,—to Rs. 23,42,000 increased expenditure in the coming year. Now out of that we have only been able to give him, after consulting the Standing Finance Committee, something like three lakhs. His claims are therefore unsatisfied to the extent of 20 lakhs; but the House is asking instead for an actual reduction of 3 lakhs. In all seriousness I represent to the House that they are running a great danger in desiring that this reduction should be made. Audit safeguards expenditure. Without a proper audit your expenditure runs to waste.

I seriously and earnestly ask the House to consider the danger which would be incurred if it insisted on making this reduction.

**Mr. N. M. Samarth:** Sir, I strongly support the view which the Honourable the Finance Member has put forward in this connection. As a Member of the Public Accounts Committee I can say that the work of the Auditor-General, in order that it may be systematised and made useful to this House, requires more money than has been even demanded under this Demand. It is no use supporting the idea that there must be a five per cent. reduction in every Department, whatever the merits of the Department or the needs of the Department may be.

**Dr. H. S. Gour:** Who said so?

**Mr. N. M. Samarth:** Whether it was said so or not depends upon one's own memory. It was only yesterday that this argument was urged. I submit, Sir, that the Auditor-General is under the Government of India Act a statutory authority under Section 96D and he has to proceed as an independent authority to see that no appropriations are made by any Department from one head to another beyond those sanctioned or apart from those which are sanctioned by this House, to see that the expenditure has not exceeded, and to call to book any Department which has given orders for expenditure not sanctioned by this House. All that requires more money and better staff in order that this work may be done satisfactorily, and I trust that this amendment will be rejected as being 'Penny-wise and pound-foolish'.

**Dr. H. S. Gour:** Sir, I am surprised that Members like the Honourable the Finance Member and Mr. Samarth should raise an issue which, I submit, is wholly irrelevant to the present discussion. We have made it abundantly clear that the 5 per cent. reduction we demand is on the aggregate of total civil expenditure amounting to Rs. 20 crores. If they can show a total reduction of at least one crore of rupees, we do not demand that there should be a reduction on every demand. I have pointed out, Sir, in my speech yesterday that in some cases there may be no reduction at all; in other cases, the reduction may aggregate to 5 per cent., 10 per cent. or even 15 per cent. But so long as the minimum of 5 per cent. is reached on the aggregate of civil expenditure, we should be satisfied. In that view it is wholly irrelevant as to what is required in the Audit Department. (Cries of 'Oh!') I repeat it. If the Audit Department wants more money, the Honourable the Finance Member is well aware of it that he will come up with a supplementary Budget in September next and ask for more money. If he wants reappropriation, he will be entitled to do so.

**The Honourable Sir Malcolm Hailey:** No, we can't do so under the Act.

**Dr. H. S. Gour:** The reduction we ask for is a reduction upon that principle—the principle which this House has, I think, accepted, and which it should not allow itself to depart from.

**Mr. Jamnadas Dwarkadas:** (Cries of 'Withdraw.') Excuse me, Sir, I am on my legs.

As a Member of the Standing Finance Committee I want to associate myself with the tribute that my Honourable friend, the Finance Member, has paid to the work of the Auditor-General. We have had many occasions to meet Mr. Gauntlett in the meetings of the Standing Finance Committee and I think I am expressing the views of all the Members of the Standing Finance

Committee when I say that he has always treated us with the utmost consideration and has placed his case before us more clearly than, I am afraid, any other officer has been able to do. I myself had given notice of an amendment, but after what has fallen from my Honourable friend on the opposite side, I am convinced that we shall not be acting in the interests of the accounts of the country if we try to make economy in this Department. I should, therefore, strongly urge upon my Honourable friend, Mr. Rangachariar, not to insist but to withdraw his motion.

**Rao Bahadur T. Rangachariar:** Left to himself, Mr. Rangachariar would not have moved it, but the Party by a majority had decided that that should be the course adopted. I am glad to say now that I have got the support of my Party in not pressing this motion in the hope and expectation that other Departments would show greater reduction.

The motion was, by leave of the Assembly, withdrawn.

**Dr. H. S. Gour:** I move now, Sir, for the adjournment of this debate till to-morrow. It is now 6 O'Clock, and I think we must adjourn till to-morrow.

**Mr. President.** The question is :

'That a sum not exceeding Rs. 72,19,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Audit'.'

The motion was adopted.

POLICE.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 8,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Police'.'

**Dr. H. S. Gour:** I move, Sir, that the consideration of this item be adjourned till to-morrow in view of the fact that it is already past 6 O'Clock.

**Mr. N. M. Joshi:** Let the House be adjourned now.

**Mr. President:** I am quite prepared to accept a motion of that kind, but I must remind Honourable Members that there is a good deal of business to be got through under Voting on Demands.

**Dr. H. S. Gour:** We will finish, Sir.

**Mr. President:** I think we might dispose of one or two of these small items. I am in the hands of the House. As a matter of fact, the adjournment lies with the Chair. If the Honourable the Finance Member is prepared to adjourn now, I have no objection. I should like to hear what he has got to say on the point.

**The Honourable Sir Malcolm Hailey:** Government is entirely in the hands of the House. I do not wish to have it subsequently said that we did not allow sufficient time for the discussion of each of these important matters. If the House desires to regulate its own hours in this respect, we shall not seek to interfere.

The Assembly then adjourned till Eleven of the Clock on Friday, the 17th March, 1922.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.**

*Friday, 17th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE BUDGET—LIST OF DEMANDS—*contd.*

### POLICE—*contd.*

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): Sir, is it as regards Demand No. 15?

**Mr. President:** The Honourable Member will remember that just before we adjourned yesterday, I put Demand No. 15:

'That a sum not exceeding Rs. 8,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Police'.'

**Rao Bahadur T. Rangachariar:** I move, Sir, that the Demand under this head be reduced by Rs. 400 which is the usual 5 per cent.

**Mr. Denys Bray** (Foreign Secretary): Sir, Government have no objection whatsoever to this motion, for it will be observed that a sum of no less than Rs. 500 has been added to round the figures. (Laughter.)

**Mr. President:** The question is that the Demand under head 'Police' be reduced by Rs. 400.

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 7,600 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Police'.'

The motion was adopted.

### PORTS AND PILOTAGE.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 12,47,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Ports and Pilotage'.'

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

General reduction. 'That the Demand under this head be reduced by Rs. 1,19,050.'

and when I move it I do so with great pleasure. I should like to know how many of the commanders are Indians, how many of these Chief Officers are Indians, how many of these engineers are Indians, and what progress is being made in the direction of Indianising the services.

**Mr. N. M. Joshi** (Nominated: Labour Interests): Sir, I would like to know why a European door-keeper is necessary for the Port of Bombay. I never heard that Europeans were specialists in door-keeping.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member): Sir, I may first explain the small point regarding the European door-keeper. The explanation is that this officer is a legacy from the Bombay Government. We have only just taken over the shipping office from the Bombay Government, and we find this European door-keeper in possession of the post. I imagine that the reason why the officer was appointed is that the shipping office has to deal with rather a turbulent type of seamen, and for that reason it was considered necessary to have somebody of the type of a European sergeant to deal with the seamen. But as I said, the post is a legacy. I presume the House will not want us to turn out the existing incumbent, but I am quite prepared to make inquiries as to whether the European door-keeper is any longer necessary.

I now turn to Mr. Rangachariar's motion. I should explain, Sir, that the whole question of Ports and Pilotage requires examination. We have just taken over the major ports, and when we got the Local Government's budgets we found that they had only sent up parts of the estimates connected with Ports and Pilotage which should be included in our Budget This matter is being examined and straightened out, but we did not have time to alter the budget for this year.

As regards the Bengal Pilot Service, the rules prescribed that recruitment must be effected if possible in India. A competitive examination is held once a year, but naturally for this pilotage service you require seamen's qualifications and candidates with the necessary qualifications have not as yet appeared in India. Consequently, the service is at present recruited from candidates from the Worcester and Conway Training Ships at Home. The whole of this question will of course be examined by a Committee which is to sit this year in accordance with the Resolution recently moved by Sir Sivaswamy Aiyer.

As regards the reduction it is proposed to make in the Demand, I may point out that Ports and Pilotage is a budget estimate of the expenditure incurred for services rendered, and for those services we take fees from the shipping people. The charges are incurred mainly in such matters as the recruitment and engagement of seamen, the survey of ships with reference to their passenger certificates and Plimsoll's marks, and the maintenance of Light Houses. In these circumstances, I think that this Demand ought not to be cut. The proper line to take is that we should not lose money on these services, that is to say, the ship owners should pay for the services we render them. A reduction in the grant may mean a reduction in the services we are able to render, and that being so, I do not think that this reduction ought to be made. It seems to me that the principle is the same as in the case of the audit department. In the audit department the 5 per cent. reduction was not moved because audit was regarded as a guarantee for the safety of our Indian revenues. Similarly, these services are guaranteed mostly for the safety of human life.

**Sir Jamsetjee Jeejeebhoy** (Bombay City: Non-Muhammadan Urban): May I draw your attention to a word which occurs under this head 'subsistence to native distressed seamen and others'? I am sure the Government are aware that the word 'native' has a significance which is repugnant to the feelings of Indians and I hope that Government will take steps to substitute the word 'Indian' for it.

**Mr. P. E. Percival** (Bombay: Nominated Official): I should like to take the opportunity of this motion to make a few remarks on the proposal of a general five per cent reduction. What I wish to suggest is that such reductions should not be made in respect of any of the subsequent Departments. It is said that these reductions are proposed on the principle of the Geddes Committee, but in fact our principles here are different. What may be called the Gour guillotine is being applied indiscriminately to all Departments. It is proposed that the estimate of every Department should be reduced, and then after they have been so decapitated that they would be sent on to the Retrenchment Committee for further inquiry. The Assembly have already reduced over half a crore, out of which the Government have accepted of their own accord something over 30 lakhs. I submit, Sir, that this reduction was made chiefly to indicate to Government what was the intention of the Assembly, namely, their desire that there should be a reduction in the Budget. But, having got so far, and having reduced 14 or 15 items in this way, I do suggest that we shall be stultifying ourselves if we go on reducing nearly every item by five per cent., not because the item can be reduced, but simply in order to show that it is desirable to make some reduction in the Budget. I would suggest to the Honourable Members who are making these proposals that we have gone through about 15 of the major Departments, and that there remain about 35 smaller and minor Departments, and these may fairly be left to the Retrenchment Committee, who will deal with them of their own accord.

There is one more point to which I wish to refer. On the face of it, five per cent. looks a comparatively small reduction, but, as has been pointed out by the Honourable the Finance Member, there are a number of these items in which no reduction can possibly be made. For instance, there is the item of exchange, there is payment for opium, payment to Indian States and so on, so that the reduction that has been made, although it may be only 2½ per cent. of the total Budget, practically amounts to five per cent. or nearly five per cent. on the items in which a reduction is possible. I would also refer to the point which I mentioned in the general discussion on the Budget, namely, that relating to the poorly paid officials. At that time one Member

said: 'We do not want to reduce the pay of the low paid officials'. They have suffered from the rise in prices they will have to pay the additional taxes, which are going to be large; and we should not reduce their pay any more. I think that this is the opinion of the Assembly: and, if so, they should. I submit, say definitely, for the benefit of this Retrenchment Committee, that the salaries of these poorly paid officials, on salaries of Rs. 500 and under, should not be reduced. (*An Honourable Member*: 'You can reduce the number.') That may be proposed; but I do suggest that it should be made clear to the Retrenchment Committee that you cannot gain anything by reducing the pay of the low paid officials. I therefore suggest that the reductions which have already been made amounting to over half a crore, are sufficient, for the purpose of showing to the Government that it is the desire of the Assembly that there should be some reduction in the Budget; and that no further reduction simply by means of a mechanical guillotine of five per cent. should be proposed or accepted by the Assembly.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Apart from the general question of retrenchment I support the motion on the special ground that the income from the pilot service (Honourable Members will see at page 59) in 1920-21 was no more than Rs. 22,75,000. The actuals for 1921-22 was Rs. 22,87,000. Now in the next year's Budget the amount that is expected is Rs. 24,21,000. But if the Honourable Members will see the Budget figures for 1921-22 they will see that the actuals for the two years 1920-21 and 1921-22 never exceeded 22 lakhs. (*Mr. Spence:* 'No, no. Rs. 23,75,000.') I am perfectly right. The actuals for 1921-22 are 22 lakhs. Yes, it is 23 lakhs. For 1921-22 it is 22 lakhs. The actual expenditure budgeted for the ensuing year is Rs. 23,81,000, that is to say, that is in excess of the actuals of last year.

**The Honourable Sir Malcolm Hailey** (Finance Member): I think you are referring to the revised estimate and not the actuals. Actuals we have only of 1920-21.

**Dr. H. S. Gour:** Yes. That is to say that in the ensuing year it is about a lakh more than the revised estimate for last year. I submit, therefore, that we have no certain data that the budget estimate of the next year, Rs. 24,21,000 will be actually realised, but we have as a certain fact that we are going to spend Rs. 23,81,000. We are leaving no margin whatever for contingencies and the uncertainties of realisation. I therefore submit, that by cutting down the figure by the amount which Mr. Rangachariar has moved we shall be standing on safe ground in keeping within the limits of the actuals which are likely to be received next year. I therefore support this motion on the special ground that we should keep our expenditure within the limits of the probable income which we are likely to receive in the next year and should not rely too much on the budget figures.

**Mr. Darcy Lindsay** (Bengal: European): Sir, I understand that the question of pilotage is under the consideration of the Honourable Member for Commerce, and this figure of Rs. 24,21,000 can very easily be increased in the course of the year by a revision of the pilotage charges. There have been increases in the pay of the various establishments and there must be a corresponding increase in charges to meet that increase. We find from the summary that the receipts in Bombay show Rs. 1,80,000 as against an expenditure of Rs. 1,30,000. Bengal receipts 16 lakhs against an expenditure of Rs. 18,66,000, and Burma receipts Rs. 6,41,000 against an expenditure of Rs. 3,47,000. It would therefore appear that the charges in Bengal require revision. I understand that the lower estimate is due to a falling off in the shipping that has proceeded up the Hooghly to Calcutta. As trade improves, the shipping will increase and with a possible increase in fees I think the fear of my Honourable friend, Dr. Gour, is groundless. The reference which was made by my Honourable friend, Mr. Rangachariar, as regards the Indianisation of the service has been explained by the Honourable Mr. Innes. The Pilot Service which is the principal item in this demand is recruited from two training ships the 'Worcester and the Conway'. The Bengal Pilot Service is known to be the finest in the world. It is of necessity, so. I do not know whether my Honourable friend, Mr. Rangachariar, has ever been up the river Hooghly and has realised the very grave dangers to steamers and ships proceeding up and down the river. There are quicksands, shoals, etc., which require the most careful pilotage. Calcutta is not an open road-stead, where the pilot need not be such an experienced man. I must warn him that there will be grave danger if in the matter of recruitment we go outside the past practice of securing highly trained sailor men for the Hooghly. I am all with him and Sir Sivaswamy Aiyer in extending the recruitment to Indians if they are available, but the ordinary educated Indian is not a sea-going man

and therein to my mind is the main reason why there is no field for recruitment. I join in asking my Honourable friend, Mr. Rangachariar, to withdraw his motion.

**Rao Bahadur C. S. Subrahmanayam** (Madras ceded districts and Chittoor: Non-Muhammadan Rural): With reference to the remarks from my Honourable friend from Bombay (Mr. Percival) the position was made fairly clear by Sir Sivaswamy Aiyer yesterday In moving these reductions in this manner in regard to each of these items of Demand, the difficulty in which we are placed is quite apparent. We cannot take any particular demand and say that a particular post or a particular office in that Demand ought to be cut down. That would not be fair, in the first place, for the Assembly itself; for many of the Members of the Assembly may not be conversant with the details; nor will it be a businesslike way of dealing with this matter to discuss a particular item or a particular appointment or the necessity for it across the floor of this House.

**Mr. P. E. Percival:** May I say a word of explanation? I do not object to the principle of the guillotine. All I suggest is that it has gone far enough. Half a crore has been obtained already on that principle. That is my suggestion.

**Rao Bahadur C. S. Subrahmanayam:** I will come to this presently. That is our first position. In the next place, last year sufficient indication had been given of the desire of the Assembly that the Government should make a move in certain directions. The first of them was what is compendiously termed Indianisation of the Services. The next item was to effect economy with a genuine, determined and deliberate spirit and to cut down expenditure which is admitted on all hands to be not exactly extravagant but beyond the limits which the financial condition of the country would permit. That is the second of the relevant positions. The third is that there is an undisguised feeling that the military expenditure which we cannot touch has been kept up to a very extravagant limit and as a means of bringing a certain amount of moral pressure, if I may say so, on the Government, the Assembly ought to cut down certain items in order that the Government may feel that it ought to meet the wishes of the Assembly in directions in which the Assembly has not got the power to attack the Budget. Fourthly, the position which I think underlies all this vague and indefinite discussion is our ignorance. Who is responsible for this ignorance? We do not know the details of the working of the departments. We are not afforded facilities and opportunities to understand the details of the working of any particular department and if we had those particulars our criticism would be more definite, more accurate and probably levelled at definite points and defects. That is another point. Then we, after considerable deliberation and after bringing down extreme views as far as possible to the lowest limits, decided (and there is no difference of opinion in this respect amongst the non-official Members to whichever camp they may belong) that a reduction of nearly 2 crores might easily be made, or if not exactly 2 crores at least one to one and a half crores might be easily made in the expenditure of the Government of India. The general reasons are the transfer of many subjects to the provinces and absence of any necessity to have large establishments now after the period of the war. These and various other reasons have convinced us that a substantial reduction in most departments could be made. Now as regards commercial matters, such as the purchases of stores, we have not made any reductions. This point was incidentally touched upon by my Honourable friend from Bombay. In the case of railways we knew that the purchases of stores and other articles cannot be cut down and therefore we did not base this 5 per cent. calculation in regard to the items where money is spent for purchase of stores. I do not think that I have any right to assume that my Honourable friend was speaking on behalf of Government, but if a fair offer had been made that a determined effort will be made very soon to reduce expenditure to the tune of a crore or a crore and a half in this Budget, probably much time could have been saved and much lungs power could have been saved and we could have got through this Budget much more quickly and enjoyed a few holidays. That offer has been made more than once from both sections of the House and that has not been accepted. We have therefore got into the habit of reducing each item by 5 per cent. and my Honourable friend, Mr. Rangachariar, has been putting the question of Indianisation in the forefront of his attack. We get a sort of reply and we troop out into the lobbies and come back. Well, that is the position that was made very clear by Sir Sivaswamy Aiyer and therefore it is no good asking us not to move these reductions.

It may be that, to be frank in the matter, a certain reduction may not be possible. If we go on at this rate, it may be regretted, well, we have

tried to discriminate as far as possible, it may be that in some individual cases it may cause hardship and may not be possible, but it is open even now to Government to go beyond the five per cent. in some cases and to equalize the total reduction by keeping up the old establishment in departments where they find it is not possible to make reduction. That is the whole of the position in which we stand. With regard to this particular subject of pilots and pilotage, it is not in every Department, it is not in this Department that we want to say that trained pilots ought to be replaced by untrained pilots. That is not our position. There are under this head several posts which could be held by men who may not be thoroughly skilled. It is not every Department, it is not every technical Department that employs skilled men from top to bottom. There are in these intermediate posts men who are not altogether skilled. There, an attempt, a *bonâ fide* attempt, if I may say so, may be made to put in Indians as well. It is not good saying that time after time, well, we cannot get Indians, therefore this must continue. You must make a beginning, and the only satisfactory reply would be, 'yes, we have made a beginning this year; we have put in one man or half a man (Laughter), yes, half a man, and we have called for, but we could not get more men. Some such thing would probably give us a fair amount of satisfaction, but to simply tell us in this stone-wall manner 'we cannot do it now, it is very difficult, we will wait for that big Committee that is going to discuss this matter, that Committee which will consider a Navy service',—that 'we should wait till the deliberations of that Committee are published,—then we shall see'—well, that does not give us any satisfaction. Therefore, Sir, I think I have made the position clear in regard to these demands for reductions.

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): Sir, with regard to the speeches we have listened to from my Honourable friends, Mr. Darcy Lindsay and Mr. Percival, I would take the opportunity of pointing out one item on page 56 of the Budget There a sum of Rs. 1,34,000 provided for the purchase of coal in Bengal. Under this head, Ports and Pilotage the Budget figure for the year 1921-22 was Rs. 69,000. There is no figure given for the Revised estimate for the same year, and it is said that this figure of Rs. 1,34,000 is budgeted for next year on account of the rise in the price of coal. I do admit, Sir, that the price of coal has risen in Bengal, but I ask whether that item alone will not bear the small reduction of 5 per cent., and whether the price of coal all over has risen so enormously as to make it impossible to effect the 5 per cent. reduction for next year. There is another item, Sir, which Mr. Chaudhuri has pointed out to me. There is an item, 'mess and victualling allowances, Pilot vessels' under which the figure has been raised from Rs. 32,000 to Rs. 50,000. Even there a small reduction of 5 per cent. may be possible, I think. Similarly there is another item, a new item, 'motor car allowance to the Port Officer, Calcutta, Rs. 1,200.' Similarly there is another item, 'extra conveyance allowance to Engineers and Ship surveyors, Rs. 10,000,' which has been raised from Rs. 5,500 to that figure. There are several other similar items, Sir, which can bear, I believe, a little more reduction than 5 per cent. And it does not follow that because the military expenditure has not been touched by Government, the civil side of the Budget should not be touched at all. I personally think that even the civil side itself would bear, on a close scrutiny by the Retrenchment Committee, a much larger retrenchment than 5 per cent., which figure according to me is a very modest figure as proposed by the Democratic Party; if I belonged to that Party, I should have proposed, so far as the civil side is concerned, at least 10 per cent. (Hear, hear.)

**The Honourable Mr. C. A. Innes:** Sir, I should like to refer to one or two points which have been taken in this debate. I would first refer to Dr. Gour's remarks about balancing income and expenditure. The principle is of course absolutely right, I entirely agree. But I think that Dr. Gour and everyone else in this House will admit that we cannot guarantee exactly to balance income and expenditure every year. We have to have our standing establishments, our fees depend on the amount of trade, the amount of work to be done. They vary naturally in accordance with the state of shipping. Let me take the Bengal Pilot Service. In 1918-19, we made a profit on the pilotage fees of Rs. 1,82,000. In 1920-21, we made a profit of Rs. 1,96,000. This year we expect to make a loss of Rs. 2 lakhs, simply because trade has slumped. The principle should be that over a series of years we should try to make income and expenditure balance.

Mr. Subrahmanayam, again, brought up the question of Indianisation. As I have already said, in the course of last year we laid down the principle that every endeavour must be made to get suitable candidates locally. But sea qualifications are required, and however anxious we may be to get Indians

qualified in this way, it cannot possibly be done in a moment. Sea training is a training which takes a long time to acquire, and obviously the right thing is to lay our plans; and it is no good laying our plans in a hurry, and that is why we propose to wait for the result of the inquiries to be made by Sir Sivaswamy Aiyer's Committee. Every appointment, I would point out, every major appointment in this Budget is the appointment of a man who requires an expert technical training, whether he be a Port Officer or a Shipping Master or a Ship Surveyor. The Port Officers are recruited from the Royal Indian Marine, Shipping Masters are recruited from the Indian Mercantile Marine, and Ship Surveyors are always Engineers of the Royal Indian Marine, and they have to go through a most expensive training at Home and to pass a most difficult examination.

Then, again, Sir, Mr. Subrahmanayam said that the House wishes to enforce the principle of economy in Civil Departments in order to force the Government of India to reduce expenditure on the Military departments. Now I should like to point out that the economy which the House proposes to enforce in this Budget is not an economy which hurts the Government of India but which will hurt the shipping services and the mercantile marine. Now, is that right? I think the House will agree that it is not.

With reference to Mr. Wali Mahomed Hussanally's remarks, every new item of expenditure which appears in this Budget has been examined and passed by the Standing Finance Committee. I admit that it looks curious that motor car allowances should be given, but motor car allowances in certain cases are merely a business proposition. Ask Sir Vithaldas Thackersey, does it not save time, the time of officers, and save our getting extra staff? A motor car allowance to Ship Surveyors saves demurrage and enables surveys to be done more quickly.

I claim, Sir, that no extravagance can be shown in this Budget. There has been a slight increase in expenditure since last year; that is due to special causes. The repair of the pilot ship '*Lady Fraser*' is an urgent matter. If you cut that out of the Budget, what will be the result? You will probably find that it will become a derelict ship for want of a stitch in time and then the buying of a new ship will become a necessity. There are certain forms of economy which it is not economical to indulge in.

**Mr. Manmohandas Ramji** (Indian Merchants Chamber and Bureau: Indian Commerce): May I inquire, Sir, when the Pilotage fees were revised last?

**The Honourable Mr. C. A. Innes:** The whole question of this Pilot Service is to be referred to a Committee this year. We have provided a small sum for an inquiry into the Bengal Pilot Service, the point of that inquiry being, whether, in view of the improvements made in the hydrographic survey of the river, we could not put the Pilot Service under the Port Commissioners instead of maintaining a separate service. But that is a matter yet to come under inquiry.

As regards the pilotage fees, my Honourable friend, Sir Malcolm Hailey, tells me that they were raised during the war.

**Mr. Manmohandas Ramji:** Well, then, after the war, our expenditure has gone up nearly four lakhs. It is but right that that department ought to be self-supporting.

**The Honourable Mr. C. A. Innes:** May I point out, Sir, as I have already said, that in 1920-21, we made a profit of two lakhs of rupees.

**Mr. W. M. Hussanally:** May I ask a question? Is this Rs. 75,000 provided for the repairs to the pilot vessel '*Lady Fraser*' based on an estimate, or is it only a lump provision?

**The Honourable Mr. C. A. Innes:** The estimate was placed before the Standing Finance Committee. I suggest that if it is thought that our expenditure is extravagant, the proper line to take is to raise the fees. To cut the service down is not the right way to go about it; the right way is to enforce the principle that for services rendered fair charges should be made.

**Mr. J. Chaudhuri** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): I submit that in any future reorganisation of this Department our recommendations should be accepted. That will rather strengthen the hands of Government in effecting economy and carrying out retrenchment.

**Mr. N. M. Joshi:** I move, Sir, that the question be now put.

**Mr. President:** The question is:

**'That the demand under head 'Ports and Pilotage' be reduced by Rs. 1,19,050.'**

The Assembly then divided as follows:

AYES—56.

| | |
|---|---|
| Abdul Majid, Shaikh. | Latthe, Mr. A. B. |
| Agarwala, Lala G. L. | Mahadeo Prasad, Munshi. |
| Agnihotri, Mr. K. B. L. | Manmohandas Ramji, Mr. |
| Ahmed, Mr. K. | Misra, Mr. P. L. |
| Aiyer, Sir P. S. Sivaswamy. | Misra, Mr. B. N. |
| Asjad-ul-lah, Maulvi Miyan. | Mudaliar, Mr. S. |
| Ayyangar, Mr. M. G. M. | Mukherjee, Mr. T. P. |
| Ayyar, Mr. T. V. Seshagiri. | Nabi Hadi, Mr. S. M. |
| Bagde, Mr. K. G. | Nag, Mr. G. C. |
| Bajpai, Mr. S. P. | Nand Lal, Dr. |
| Barodawala, Mr. S. K. | Nayar, Mr. K. M. |
| Barua, Mr. D. C. | Neogy, Mr. K. C. |
| Bhargava, Pandit J. L. | Pyari Lal, Mr. |
| Bishambhar Nath, Mr. | Rangachariar, Mr. T. |
| Chaudhuri, Mr. J. | Reddi, Mr. M. K. |
| Dalal, Sardar B. A. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Sarfaraz Hussain Khan, Mr. |
| Ginwala, Mr. P. P. | Schamnad, Mr. Mahmood. |
| Girdhardas, Mr. N. | Shahab-ud-Din, Chaudhri. |
| Gour, Dr. H. S. | Shahani, Mr. S. C. |
| Gulab Singh, Sardar. | Singh, Babu B. P. |
| Hussanally, Mr. W. M. | Sinha, Babu Adit Prasad. |
| Iswar Saran, Munshi. | Sinha, Babu Ambika Prasad. |
| Jamnadas Dwarkadas, Mr. | Sinha, Beohar Raghubir. |
| Jatkar, Mr. B. H. R. | Srinivasa Rao, Mr. P. V. |
| Jejeebhoy, Sir Jamsetjee. | Subrahmanayam, Mr. C. S. |
| Joshi, Mr. N. M. | Subzposh, Mr. S. M. Z. A. |
| Kamat, Mr. B. S. | Thackersey, Sir Vithaldas D. |

NOES—34.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Innes, the Honourable Mr. C. A. |
| Aiyer, Mr. A. V. V. | Kabraji, Mr. J. K. N. |
| Amjad Ali, Maulvi. | Keith, Mr. W. J. |
| Bijlikhan, Sardar G. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | Mitter, Mr. K. N. |
| Bray, Mr. Denys. | Mukherjee, Mr. J. N. |
| Bryant, Mr. J. F. | Percival, Mr. P. E. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Renouf, Mr. W. C. |
| Crookshank, Sir Sydney. | Rhodes, Mr. C. W. |
| Dentith, Mr. A. W. | Sarvadhikary, Sir Deva Prasad. |
| Faridoonji, Mr. R. | Sharp, Mr. H. |
| Fell, Sir Godfrey. | Spence, Mr. R. A. |
| Gajjan Singh, Sardar Bahadur. | Waghorn, Colonel W. D. |
| Habibullah, Mr. Muhammad. | Way, Mr. T. A. H. |
| Hailey, the Honourable Sir Malcolm. | Webb, Sir M. dePomeroy. |
| Hullah, Mr. J. | Zahiruddin Ahmed, Mr. |

The motion was adopted.

**Mr. President** : The question is :

'That a reduced sum not exceeding Rs. 11,27,950 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Ports and Pilotage'.'

The motion was adopted.

SURVEY OF INDIA.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 27,09,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Survey of India'.'

**Rao Bahadur T. Rangachariar:** Sir, with your permission, I have asked Dr. Nand Lal to move the motion.*

**Dr. Nand Lal** (West Punjab: Non-Muhammadan): Sir, the motion which I propose to move runs as follows:

General reduction. 'That the demand under the head 'Survey of India' be reduced by Rs. 1,84,700.'

Now, Sir, here is a department about which it can hardly be said even by official benches that it is a department which has got the characteristic of being a perpetual department. (Laughter.) This is a department whose function it is to be called upon to take to its operations where it is necessary, that is, the services of this department may be deemed to be occasional ones and not standing services or recurring services. Therefore, here is a fit department in which a very large retrenchment could have been effected without injuring the administration of that department. (Hear, hear.) But since it has already been asserted by a number of Members of this Honourable House that some of us were not given sufficient opportunity to scrutinise effectively, that we were not given sufficient data and material upon which we may base our

* 'That the demand under the head 'Survey of India' be reduced by Rs. 1,84,700.'

fair, correct and accurate criticism, therefore, in the interest of economy (*A Voice*: 'The Democratic Party'), in the hope that the officers in charge of the department, while carrying out the suggestion of this House in regard to the 5 per cent. reduction will exercise their judicious discretion; in view of all these points, I have contented myself with this small retrenchment and I think they will very gladly accept this modest reduction which I have proposed in regard to this department. This department is meant only to revise, occasionally as I have already submitted, and therefore this reduction which has been suggested by my humble self is very modest and will I think be accepted by all the Members of this House unanimously without any discordant voice.

**Mr. J. Hullah** (Revenue Secretary): Sir, if retrenchment is to be effected in this department, this department will find in retrenchment, I will not say a very old friend, but at any rate, a very old acquaintance. For 40 years before 1905, the history of the department was one of constant retrenchment. It was effected in 1882, 1885 and again in 1895. In 1904-05, a Committee was appointed to consider the organisation of the department and the scope of its work. They found a good deal to criticise, but this is what they said:

'It may be that the department has not always taken the best means to utilise its resources, but if we seem anywhere in our report to impute blame, we wish it to be understood that the original cause of defects is to be found in the measures (no doubt inevitable) taken in pursuance of the policy of retrenchment.'

I am glad that Dr. Nand Lal has told us that this department is not a perpetual one. (*A Voice*: 'Should not be'.) That was precisely the view taken by the Committee to which I have just alluded. Up to the date of their investigations, the operations of the Survey, owing to financial considerations and retrenchments, had been on a somewhat unmethodical principle, with the result that the operations were scattered in different parts of the country, and were withdrawn as financial considerations demanded and a great deal of their work could not come to full fruition, because the maps based on it could not be produced, the work not having been completed. The Committee, therefore, recommended that a full programme for the topographical survey of India on the one-inch scale should be worked out, to be completed in 25 years, after which the department might be, not abolished, but obviously very considerably reduced.

It will of course be impossible to abolish it; it will always have occasional demands on it as even Dr. Nand Lal admits. About one-third of the programme had been completed, when the war came. Then practically all our officers went either to the war, on active service or to Mesopotamia for military surveys. The result is that the programme of survey of the whole of India is very much in arrears and will not be got through in the time that was originally anticipated. Now, retrenchment is possible by reducing the number of your survey parties, but it follows that if you effect that reduction, you will only increase the number of years over which this all-India survey will have to be extended. (*A Voice*: 'No harm.') No harm? That is a matter of opinion and a matter of policy; but it was definitely decided that all-India should be surveyed, and I at any rate am surprised to hear that there is no harm if India is not properly surveyed. Until a reversal of policy comes about, it may be true economy to get through the work as fast as you can and not keep officers doing less work than they might otherwise be doing.

I do not propose to enter upon the scientific side of the Department, because that has not been challenged; but it represents a very material contribution on India's part to the scientific knowledge of the world.

Sir, I have to oppose the reduction.

**Mr. President**: The question is:

'That the demand under the head 'Survey of India' be reduced by Rs. 1,84,700'.'

The motion was adopted.

**Mr. President**: The question is:

'That a reduced sum not exceeding Rs. 25,24,300 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Survey of India'.'

The motion was adopted.

METEOROLOGY.

**Mr. President**: The question is:

'That a sum not exceeding Rs. 5,83,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Meteorology'.'

**Rao Bahadur T. Rangachariar**: Mr. Shahani will move my motion.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars: Landholders): Sir, while really more ought to be spent on this Department, I regret on account of an abnormal rise in our military expenditure, I have to propose that the expenditure on this Department be reduced by 5 per cent, *i.e.*, by Rs. 35,700.

**Mr. President:** The question is:

General reduction. 'That the demand under the head 'Meteorology' be reduced by Rs. 35,700.'

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): It is as well that Professor Shahani—I lay emphasis on his being a *Professor*—should have made his motion in the halting manner in which he has done. I feel it my duty to oppose the motion for reduction; I am sorry to have to do this, because it will involve waste of a few minutes which might well have been spent on the discussion of many important matters still on this agenda paper. (*A Voice*: 'Sit down, then.') That interruption comes from one who has been wasting most of our time.

We have had a somewhat ugly word introduced in the debates more than once—the word 'guillotine'—a machine of the special Nagpur brand; rich in its primeval Sal forests that furnish powerful guillotine posts. We are forgetting that by this time to-morrow that terrible machine will begin its operations in the other direction, and some of the most important items will be rushed and hustled in nervous haste now visible in all parts of the House. (*A Voice*: 'Then why waste time?') I apologised for it in advance of this unnecessary interruption from the same quarter from which the first interruption emanated. This is a question of a service in which I have firsthand information, in which the process of Indianisation is proceeding—I will not say apace—but with reasonable expedition. I saw a query in one of the newspapers as to what Indianisation about which we hear so much, is. It is certainly not colonisation in the sense of extirpation of the aborigines, which find favour in some so-called colonies. We want to respect and safeguard existing interests as much as possible. But we also want all suitable Indians to come in in much larger number whenever possible, but not to the unwarrantable prejudice of interests that ought to be regarded and respected. The facts in connection with this particular service are that capable Indians are finding their claims recognised, if sufficiently trained, to a much larger extent than before. To the credit of our graduates of whom I am proud I claim that sufficiently trained people in sufficiently large numbers are available and some are being absorbed, not with the expedition that I should like to see absorbed, but rapidly enough. We may well hope for better soon.

If you look at the pages dealing with this item of expenditure (pages 67 and 68), you will be startled to find that this important work is left to half or quarter time men in important places like Calcutta, who get no more than Rs. 300 to 500. A Professor in the Presidency College who has many other occupations is generally the holder of that appointment. To his credit and that of his subordinates it must be said that the work has been remarkably well done, in spite of the handicap. Members will doubtless remember that appalling disaster in East Bengal, not very long ago regarding the likelihood of which sufficient information could not be given in time, resulted in serious loss of life and property. In other cases timely intimation helped in saving life and property.

Mr. Hullah rightly claims that there is another side to the question, namely, India's contribution to the cause of science, and on that ground pleads that this department should not be interfered with. I am rather surprised that more should not have been demanded for urgent improvements of the service, having regard to the immense possibilities of aviation in India, not only from the military point of view, but from the other points of view, the point of view of direct and immediate meteorological information. (*A Voice*: 'We are going to withdraw.') That is good sense, I should not have wasted the time of the Assembly if good sense had come earlier. I shall not waste my time further. Mr. Shahani on deliberate consideration would tell you what immense necessities and possibilities there are for developing this department—from all points of view, not the least of which is more Indians should be absorbed.

**Mr. President:** The question is:

'That the demand under the head 'Meteorology' be reduced by Rs. 35,700.'

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 5,83,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Meteorology'.'

The motion was adopted.

GEOLOGICAL SURVEY.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 2,20,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Geological Survey'.'

**Rao Bahadur T. Rangachariar:** Sir, with your permission, I beg to modify the motion by moving formally that this demand be reduced by Rs. 300, not by Rs. 32,300. The object of this motion is to elicit information as to what progress is being made in the way of giving facilities for Indians in this Department.

**Mr. President:** The question is :

General reduction. 'That the demand under the head 'Geological Survey' be reduced by Rs. 300.'

**Mr. A. C. Chatterjee** (Industries Secretary) : Sir, I hope that the statement that I shall make will satisfy my Honourable friend, Mr. Rangachariar, and the non-official Members of this House. We all recognise that in a scientific department like the Geological Survey it is desirable, as soon as possible and practicable, to introduce an Indian element.

With this view during the last 12 months an Indian with the requisite qualifications was recommended to the Secretary of State for appointment to the superior service and I am glad to say that he has already joined this service. Also, in order that candidates from India might have a chance of being considered for the appointments, when they are made by the Secretary of State, arrangements have been made for the appointment of a Selection Committee in India of which one of the members is my Honourable friend, Sir Sivaswamy Aiyer. I think that Committee will assemble very soon and make its first selections and recommendations. Also, the grade of Sub-Assistant Superintendents has been enlarged with a view to enable men with comparatively lower educational qualifications to be trained, in order that appointments might be made from that rank to the superior rank. Honourable Members will find that there are six appointments in the Budget for the next year, whereas there were only two appointments during the current year. We hope to get men with fairly good qualifications for these appointments and we hope that at least some of them, after requisite training, will be absorbed into the superior service. The members of the Finance Committee are also aware that efforts are being made to establish a School of Mines and Geology in a suitable centre, at Dhanbad, at a very early date. If, as a result of the cuts which the Assembly has already effected and intend to effect in the Budget demands, the Honourable the Finance Member is able give us more money for the establishment of this School of Mines and Geology at a very early date, nobody will be more pleased than myself and my Department.

**Dr. H. S. Gour:** I think your remark does not apply to the cuts of the Military Department!

**Mr. A. C. Chatterjee:** I hope this statement will satisfy the Honourable Members.

**Rao Bahadur T. Rangachariar:** Sir, I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 2,20,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Geological Survey'.'

The motion was adopted.

BOTANICAL SURVEY.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 26,86,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Botanical Survey'.'

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadan Rural) : I beg to move :

Curator, Industries Section, Indian Museum. 'That the provision of Rs. 4,200 for one Curator, Industries Section, Indian Museum, be omitted.'

Sir, I beg to move this motion for some further light on this new item of expenditure in this year's Budget. It will be noticed from the footnotes to this item that the appointment of an Economic Botanist in this

Botanical Survey Department has been abolished and instead of that this appointment of a Curator, Industries Section of the Indian Museum, has been created. Further down, under the same item, Members will notice that under 'Supplies and Services' there is an item for the purchase of cinchona bark and quinine sulphate to the extent of something like Rs. 23,45,000. I do not quite clearly see the connection between the purchase of cinchona bark and quinine and the appointment of the Curator, Industries Section. I should like to know from the Honourable Member in charge or from any member of the Finance Committee who deals with this question what the present arrangement is? Who the Economic Botanist was whose place has been abolished? Who the Curator at present is, whether Indian or European, and whether he has any technical or scientific qualifications?

**Mr. J. Hullah:** The post of Economic Botanist, which has been abolished and re-appears under a changed name, was held by a European officer, who resigned because he could not live on the pay which was granted to him in the expensive city of Calcutta. In his place an Indian is being recruited on the pay of Rs. 350 to Rs. 1,250. One of the chief functions of the officer who used to be called Economic Botanist was the care of the Industrial Section in the Indian Museum, and it is therefore proposed to call his successor Curator of that Section. The Indian gentleman who has been appointed to this post is a graduate of the Calcutta University. It is true that he has no particular qualifications as yet in respect of the management of museums, but it has been found impossible to obtain in India anybody who has that knowledge. We thought of sending to England or to America this candidate for training in museum work, but for the present, at any rate, we have decided to leave him in Calcutta to be trained by the Director of the Botanical Survey, Colonel Gage, who takes always the keenest interest in the Indian Museum and has one of his offices in that building.

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 26,86,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Botanical Survey'.'

The motion was adopted.

ZOOLOGICAL SURVEY.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 1,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Zoological Survey'.'

The motion was adopted.

ARCHÆOLOGY.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 14,72,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Archæology'.'

**Mr. J. Ramayya Pantulu** (Godavari *cum* Kistna: Non-Muhammadan Rural): Sir, I beg to move:

General reduction. 'That the demand under the head 'Archæology' be reduced by Rs. 1,000.'

I wish to make it clear at the outset that my object in proposing this motion is not really to suggest a reduction in the grant but to invite the attention of Government to one or two points in the administration of this department and to elicit information on some points. One of the points on which I wish to elicit information, Sir, or rather to which I wish to draw the attention of the House, is the transfer of the office of the Superintendent of Archæology for the Southern Circle from the City of Madras to an out-of-the-way place called Kotagiri in the Nilgiri district. Early in the Session I put a question on this subject to Government and my Honourable friend, Mr. Sharp, gave this answer:

'The removal was made for reasons of economy and efficiency. Office accommodation can be now more cheaply provided at Kotagiri than at Madras; and the Superintendent, who has to occupy a large part of the year in touring and is permitted a recess in the hills, is thus enabled to keep more fully in touch with his office.'

I do not think, Sir, this answer will satisfy the House.

I do not think that in considering the location of such an important office as that of the Superintendent of Archæology the main question to be

considered is one of economy in office rent. I do not know, in the first place, how much economy has been effected by the removal of the office to Kotagiri, and against whatever money may have been saved in the form of house rent must be set off the extra allowances that are, I suppose, to be paid to the staff for being required to live in a hill station. Well, if economy in house rent is the chief consideration, I would suggest that this Superintendent's office may be located at Humpi where he can have a whole palace for himself without rent. But I think economy in house rent is an altogether insufficient reason for deciding the question of the location of his office.

Another reason that is given is that the Superintendent has to tour for a great part of the year and, therefore, he will be more in touch with his office if it is at Kotagiri. I suppose that all the touring is done in the plains, not in he hills.

So far as I know, there are no antiquities anywhere in the Nilgiri District. Of course, he may have to spend a portion of the year in recess in the Nilgiris, but so do most other officers. That is no reason why the office should all the year round be located in a hill station.

The science of Archæology is still in its infancy in India and one of the functions of this Department ought to be to give facilities to students of that science and to be accessible to them, and Madras is the most proper place in the southern circle where this office can be located, so that persons interested in Archæology might go to this office to seek information and might have access to the records of this office and to the photographs which are preserved there. I think that the transfer of this office to an out-of-the-way place like Kotagiri in the Nilgiri District is altogether improper.

Another matter to which I wish to draw attention is that of the establishment. I wish to refer first to the item, 3 Superintendents on Rs. 600 to Rs. 1,450. Then we have got an item, '10 Superintendents, Assistant Superintendents and Chemists, 2 on Rs. 600 to Rs. 1,450 and 8 on Rs. 350 to Rs. 1,000.' Then we have an item, '3 Epigraphists, 2 on Rs. 350 to Rs. 1,200 and 1 on Rs. 150 *plus* an allowance of Rs. 100'. I wish to know why Superintendents and Epigraphists are not put on the same scale. They belong to two different branches of the same department and I see no reason why they should be treated differently. I do not here wish to bring in the question of the Indianisation of the services because, I think that this poor thing of Indianisation has been sufficiently overworked; but it seems to me that the Superintendents of Archæology and the Epigraphists might be placed on the same scale, and when any Europeans happen to hold those appointments they may be given an over-seas allowance.

Then, Sir, I wish to know, in recruiting men for the Epigraphists' grade, how it is proposed to recruit future Epigraphists, by selection or by a competitive examination. I wish also to know how the claims of the existing assistants in these Epigraphists' offices will be dealt with and what prospects there are for those scholars to whom Archæological scholarships have been awarded. I suppose they are being trained in Archæology and I wish to know what prospects there are for this class of men.

I find here again that there is an item of Rs. 9,100 for the purchase of antiquities as against Rs. 3,000 in the current year. Last year I invited the attention of Government to the inadvisability of removing articles of archæological interest from their proper environments. I had the assurance of the Secretary that that would not be done more than was absolutely necessary. I wish in this connection to suggest that small archæological museums might be opened in important places in Southern India just as has been done in some places in the United Provinces such as Sarnath. I think a small museum of this sort might be opened at Humpi and another at Amaravati in the Guntur district where there are several articles of archæological interest which should not be removed from the place.

These are the points on which I wish to have information and I should be glad if the Honourable Mr. Sharp will vouchsafe it.

**Mr. R. A. Spence** (Bombay: European): Sir, before the Honourable the Secretary in charge of this Department replies to the questions that have been put to him, I too should like to ask one or two. The Archæological Department deals with questions which are of great interest to many of us in India, but I do not think we have enough information about it. As far as I can see, there is very little money spent on the publications of this Department; I can only see one reference to it, which comes under the item 'Director General's library and publications'. If we could have more information about what the Archæological Department does, or know where to get that information, we should be pleased.

I also see that the temporary establishment last year was only Rs. 2,260; this year it is Rs. 11,000. As we are asking for information about establishment, we might be told about this also.

I should like to pay a tribute to this Department. It is one of those Departments that end in 'ology', and you will notice that, specially those Departments which end in 'logical,' these Departments are much more 'logical' than this Assembly was in the matter of cuts though the Assembly has become so with regard to cuts in these 'logical' Departments.

**Mr. J. F. Bryant** (Madras: Nominated Official): I would like to draw your attention, Sir, to the fact that there are a great many antiquities in the Nilgiri hills. You will find a list of them in Sewell's Antiquities running to several pages.

**Mr. H. Sharp** (Education Secretary): Sir, I must congratulate Mr. Pantulu on the interest which he always shows in these matters of archæology. I am also very glad to hear the remarks which Mr. Spence has made about the work of this Department—remarks which I can most heartily endorse. It is a very hard-working Department and I do think that though it ends in an 'ology' it does work which is very important to the country and which everybody appreciates.

Now to turn to the questions that have been asked me. Mr. Pantulu's first question was regarding what he seems to think a crime, that the Superintendent of Archæology has had his headquarters removed to Kotagiri. I am afraid that I have very little to add to the reply which I gave him before. But possibly this will make the matter clearer. The Superintendent of Archæology has to tour about a great deal and he has the right in the hot weather of a recess in the hills. If his office is in Madras, not only will the expenses be greater, as I think is obvious, but he will not be with his office during that part of the year when he is not touring and when he might be doing useful work at the office. I am not aware that the move to Kotagiri will involve Government in any extra allowances for the staff, but I will look into that matter.

**Mr. J. Ramayya Pantulu:** I refer to hill allowances for the staff that will go to the hills.

**Mr. H. Sharp:** I do not think that is so in the case of Kotagiri. I can certainly remember nothing about such allowances in the case.

As regards the remark that Madras and specially would-be students of archæology may suffer by this move, I do not think that is likely to be the case. I am sure the Superintendent will often have to be in Madras; and as regards would-be students, I think my Honourable friend is aware that we have made arrangements for would-be students, and that we give them very generous scholarships for training, about which I shall have a word to say presently.

I think he suggested that the office may be more appropriately housed in Hampi. Well, I will speak to Sir John Marshall about that. But I don't think Hampi, though archæologically interesting, can be reckoned as a hill station, and the Archæological Officer has the right of having a recess at a hill station. That strikes me immediately as possible objection to it.

The next matter of which he spoke was the apparent difference, as I understand it, between the pay of three classes of persons—the Superintendents numbered as 3, then the Superintendents, Assistant Superintendents and the Chemists marked as 10, and thirdly the epigraphists who are counted as 3; and he suggested that they should all be placed on the same scale. Now I admit at once that the way in which this has been put may look a little bit confusing; but the fact of the matter is that we are in a sort of transition stage, and the pay of the three Superintendents has been shown with reference to the old scale on which they entered. Now the Honourable Member suggested that we ought to have a single regular scale on which all these officers would be placed, with overseas pay for European officers. As a matter of fact we have already done it and we put out a Resolution last June giving all the particulars about this. These officers are now on a regular time-scale from Rs. 350 to Rs. 1,200, with overseas pay for those of non-Indian domicile. I think the Honourable Member has possibly been puzzled by the figure 2 being put under the three Epigraphists' posts. I think that is really with respect to allowances and it does not affect their pay.

Then another point was the training of Epigraphists, and what is going to be done with those archæological scholars whom we are now bringing up. Well, if these men acquit themselves well, we will put them into the service and they will have a very good chance of being placed in this time-scale and

getting permanent service and rising in it. As a matter of fact, that has already happened in various cases. We have been training Indians for a long time in archæological work, and we have been successful in getting some very good men into the service and I think my Honourable friend may rest perfectly assured in that respect.

The fourth point was the purchase of antiquities. It was observed that the amount provided under this head had risen from Rs. 3,000 to Rs. 9,100; and my Honourable friend reminded me of a little talk we had this time a year ago about this matter. The reason for this increase is that we found the amount, which under the law it is permissible to give to those who dig up coins and other treasure trove was insufficient to encourage people to bring in these valuable things in, so that they might be placed in museums, etc. There was a distinct attempt to hide these things and sell them privately. So we have, without changing the law, instituted a system of rewards which will be given to persons who bring in valuable treasure-trove.

As regards the little point which was discussed last year, I think I then explained that the amount for the purchase of antiquities was not for large monuments or atnything of that sort. We do not now remove large monuments, etc., from the place where they exist, as was done in the case of the Barhut rail. But small coins and matters of that sort when dug up of course must be removed. They could not possibly be allowed to lie about in the villages. The Honourable Member would like, I gathered, a series of small museums where these things could be kept, like the museums that we have at Taxila, Nalanda and Sarnath. Well, I quite agree that that might be a very good scheme, and it is as a matter of fact followed out in certain cases. But it is rather an expensive way of doing things, and there are advantages in bringing small coins and such matters as are purchased with this grant of Rs. 9,100 into a central place where they will form part of a large, exhaustive and valuable collection and be of great utility to scholars of history and antiquity. I merely put the two sides of the case before the House.

Mr. Spence showed a commendable desire for more information . . .

**Mr. N. M. Joshi:** Is a report published of this department?

**Mr. H. Sharp:** An annual report, as I was just about to say, is published and I think it is pretty full. The back reports going back for many years form really a most valuable series and they are to be seen in the Library here or in Simla. At the same time I am very glad to hear that there is this desire for further reports. He suggested that something might be done for this out of the rather large increase under 'temporary establishment, Epigraphists.' Well, that has not been put in without a purpose. This temporary establishment of epigraphists is simply in order to get through the enormous arrears in the work of epigraphy which have been left us owing to the cutting down of expenses during the war, or rather I should say, to be quite frank, for refusing to incur the new expenditure which was so vitally necessary in order that all these valuable inscriptions which are being brought to light in Madras and elsewhere might be properly dealt with. This is merely a temporary charge, though I cannot say that it will not recur again next year. It is simply to have some extra staff in order to catch up with the arrears that have been left us. I hope that my Honourable friend will not press this reduction in the light of the information which I have given him and I can assure him that if he wants any further information I shall be very glad to give it to him in my office.

**M. J. Ramayya Pantulu:** I wish, with the permission of the House, to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 14,72,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Archæology'.'

The motion was adopted.

MINES.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 98,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Mines'.

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

'That the demand under head 'Mines' be reduced by Rs. 11,350.'

The matter acquires great importance on account of the great crushing effect which the military expenditure of this country has upon nation-building departments. If Honourable Members will turn to page 93, they will find that the much advertised and much demanded institution for training the lads of this country in mining and giving them instruction in that subject had to be abandoned owing to the present financial crisis. Sir, if such useful institutions which should have been started at least a century ago have to wait on account of the financial situation, I charge the Member for Industries with neglect of duty in not pressing home upon the military department to cut down their expenditure so as to leave the necessary funds for starting this school. Last year we were promised that this school would be started and a communiqué was issued announcing the appointment of a governing body for this institution; a Principal came without a school; an Assistant Principal came without a school; both of them are employed elsewhere and the school is nowhere and the lads of this country have no opportunity of going on with this instruction Sir, Mines are being opened; the other day the Honourable Member for Commerce told us when speaking about railways that we want coal mines opened out and other mines also and industries started here and there, without the lads of this country having an opportunity of learning the very A. B. C. of mining. Sir, I have great pleasure in making this motion.

**The Honourable Mr. C. A. Innes:** Sir, it seems to me that in order to enforce his point the Honourable Mr. Rangachariar has taken rather a curious course of action. He is putting us to very great embarrassment in a very important department, a department which is concerned with the safety of human life down in the mines. So, I suggest, Sir, for Mr. Rangachariar's consideration that, since this demand for retrenchment has not been put forward on the ground of retrenchment, but on other grounds, he should at any rate reduce the amount suggested for retrenchment. As regards the School of Mines, nobody can regret the postponement of this project more than I do. This, however, I can say, that very strong representations were made by myself, and my department; only two items of new construction were placed before the Public Works Department and one was the provision of rupees one lakh to enable us to make a start in the building of this new School of Mines. The fact that in spite of our financial embarrassment we have done that shows that at any rate we do recognise the great importance of this project. It will be begun in the year to come and I hope it will be pushed ahead in following years as rapidly as possible; that will show at any rate that I did put the case for the School of Mines as strongly as I could before the Government of India.

As regards the military expenditure, I have nothing to add to what Sir Malcolm Hailey has already said. The decision was a decision of the Government of India as a whole, and it seems to me that blame for that decision should not be put on one particular item of the Budget, *viz.*, Mines. I put it to Mr. Rangachariar that we cannot reduce this money that we have budgeted for for Mines, and that that Budget is for expenditure, as I have said before, in connection with the safety of human life down in the mines.

**Sardar Bahadur Gajjan Singh** (Punjab: Nominated Non-Official): Sir, this is another important industry which I wish to bring to the notice of this House and which remains undeveloped. Last year when we were discussing the Budget, I know my friend, Mr. Majumdar, said that if he had some supernatural power he would have made the roof of this House pour down gold and silver. Gold and silver do not exist in the roof of our Chamber, but it is absolutely true that our mines contain treasures of very great value and it is certainly necessary that the Government of India should pay more attention towards the wealth which is lying hidden in the mines. It is also my painful duty to point out that as far as I know there is no college, no school in which mining is taught. Very little is done, as I have said, to develop this industry.

I would just quote a few figures which will show by comparison how badly off we are in this matter. In 1917, I understand that we produced 1,35,00,000 pounds from our mines, while Canada produced 4 crores sterling pounds in that very year, while the United States of America produced to the extent of 43 crores pound. Therefore, I beg to point out to the Honourable Members of this House that they should be prepared to sanction even a higher grant under this head for the development of our mines, for opening schools and colleges to train the sons of the country to develop these mines.

**Mr. President:** The question is:

'That the Demand under the head 'Mines' be reduced by Rs. 11,350.'

The Assembly then divided as follows:

AYES—44.

| | |
|---|---|
| Abdul Majid, Shaikh. | Mahadeo Prasad, Munshi. |
| Agarwala, Lala G. L. | Manmohandas Ramji, Mr. |
| Agnihotri, Mr. K. B. L. | Man Singh, Bhai. |
| Ahmed, Mr. K. | Misra, Mr. P. L. |
| Asjad-ul-lah, Maulvi Miyan. | Mudaliar, Mr. S. |
| Ayyangar, Mr. M. G. M. | Nag, Mr. G. C. |
| Ayyar, Mr. T. V. Seshagiri. | Nand Lal, Dr. |
| Bagde, Mr. K. G. | Neogy, Mr. K. C. |
| Bajpai, Mr. S. P. | Pyari Lal, Mr. |
| Barua, Mr. D. C. | Rangachariar, Mr. T. |
| Bhargava, Pandit J. L. | Reddi, Mr. M. K. |
| Bishambhar Nath, Mr. | Sarfaraz Hussain Khan, Mr. |
| Chaudhuri, Mr. J. | Sarvadhikary, Sir Deva Prasad. |
| Das, Babu B. S. | Shahani, Mr. S. C. |
| Ginwala, Mr. P. P. | Singh, Babu B. P. |
| Girdhardas, Mr. N. | Sinha, Babu Adit Prasad. |
| Gour, Dr. H. S. | Sinha, Babu Ambika Prasad. |
| Gulab Singh, Sardar. | Sinha, Beohar Raghubir. |
| Iswar Saran, Munshi. | Srinivasa Rao, Mr. P. V. |
| Joshi, Mr. N. M. | Subrahmanayam, Mr. C. S. |
| Lakshmi Narayan Lal, Mr. | Subzposh, Mr. S. M. Z. A. |
| Latthe, Mr. A. B. | Thackersey, Sir Vithaldas D. |

NOES—44.

| | |
|---|---|
| Aiyer, Sir P. S. Sivaswamy. | Kabraji, Mr. J. K. N. |
| Aiyar, Mr. A. V. V. | Keith, Mr. W. J. |
| Amjad Ali, Maulvi. | Lindsay, Mr. Darcy. |
| Barodawala, Mr. S. K. | Misra, Mr. B. N. |
| Bijlikhan, Sardar G. | Mitter, Mr. K. N. |
| Bradley-Birt, Mr. F. B. | Mukherjee, Mr. J. N. |
| Bray, Mr. Denys. | Mukherjee, Mr. T. P. |
| Bryant, Mr. J. F. | Nabi Hadi, Mr. S. M. |
| Chatterjee, Mr. A. C. | Nayar, Mr. K. M. |
| Cotelingam, Mr. J. P. | Percival, Mr. P. E. |
| Crookshank, Sir Sydney. | Ramayya Pantulu, Mr. J. |
| Dalal, Sardar B. A. | Rao, Mr. C. Krishnaswami. |
| Dentith, Mr. A. W. | Renouf, Mr. W. C. |
| Faridoonji, Mr. R. | Samarth, Mr. N. M. |
| Fell, Sir Godfrey. | Schamnad, Mr. Mahmood. |
| Gajjan Singh, Sardar Bahadur. | Sharp, Mr. H. |
| Habibullah, Mr. Muhammad. | Spence, Mr. R. A. |
| Hailey, the Honourable Sir Malcolm. | Vincent, the Honourable Sir William. |
| Hussanally, Mr. W. M. | Waghorn, Colonel W. D. |
| Innes, the Honourable Mr. C. A. | Way, Mr. T. A. H. |
| Jamnadas Dwarkadas, Mr. | Webb, Sir M. dePomeroy. |
| Jejeebhoy, Sir Jamsetjee. | Zahiruddin Ahmed, Mr. |

The motion was negatived by the casting vote of the President.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 98,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Mines'.'

The motion was adopted.

OTHER SCIENTIFIC DEPARTMENTS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 3,57,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Other Scientific Departments."

The motion was adopted.

EDUCATION.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 3,01,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March 1923, in respect of 'Education'.'

The motion was adopted.

The Assembly then adjourned for Lunch till Two of the Clock.

---

The Assembly re-assembled after Lunch at Two of the Clock. Mr. President was in the Chair.

---

MEDICAL SERVICES.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 7,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Medical Services".

**Mr. J. Chaudhuri** : Sir, I beg to move :

'That the provision for the pay of establishment—Superintendence—be reduced by Rs. 20,000 and that the provision for travelling allowance—Superintendence—be reduced by Rs. 5,000.'

Pay of establishment—Superintendence and Provision for Travelling Allowance—Superintendence.

I move these amendments for the purpose of drawing the attention of the Government to the fact that there is scope for a great deal of retrenchment in this Department. It deals with a Department, the functions and duties of which have been largely transferred to the provinces. We find that the staff maintained under this department put down under the head of Superintendence is particularly heavy. We have got one Director General, one Deputy Director General, one Assistant Director General, one Deputy Assistant Director General, and others drawing heavy salaries. As these are non-votable items I have been obliged to put down in my motion for reduction in respect of the staff of Superintendents in the subordinate staff under the votable head. But I find also that instead of a decrease in the establishment charges under this head, they have gone up by nearly Rs. 20,000. I may say that as the functions and duties of this department have been transferred to the provinces there is no necessity for keeping up the establishment of the Central Government on the former scale The Medical Services, the hospitals, the dispensaries and the Sanitary Department are all under the Provincial Governments. They are under the supervision of the Ministers and their staff. So I maintain that costly establishment in the Central Government for the Medical Services may be considerably reduced. I would not press for the identical reductions embodied in my motion but I would certainly press that the Retrenchment Committee when it comes into existence should look closely into this department and cut down the establishment to an irreducible minimum. This department has also been placed under the Education Member and the Honourable Mian Sir Muhammad Shafi told us yesterday that it gives his Department some occupation. Much unnecessary work is being created by this medical department and one inflated department is being maintained for the purpose of propping up another department which also requires deflation. So I maintain that many of the props of these mutually supporting departments might with advantage be removed. What I suggested yesterday with regard to the Education Department applies with greater force to this department. This is not the only department under the medical head, which abounds in superfluities. When I come to the next Demand, Public Health, I shall point out that the functions of the Medical Health Department and that of the Medical Services may very well be amalgamated and the establishment under them might be considerably curtailed and both may be welded into one department. That will effect a substantial retrenchment in the expenditure incurred by the Central Government with regard to functions which are no longer theirs. In this connection there is a great deal of overlapping of functions not only between these two departments but also with regard to the Military Department which I understand has also a department of Medical Services under it. I may mention in passing, that the Civil Medical Services department, since it has not enough work, it plays the role of busy bodies and creates work for us as also work for the Education Department. We remember in Simla we had to debate a great deal about the recommendations of the Medical Council in England. These are being exploited by the members of the Indian Medical Service not so much in the interest of Medical Education in India as for shutting out Indians from the higher Medical Services. They are now trying to frustrate the legitimate aspirations of our medical graduates and qualified medical men who are pushing ahead and will continue to push ahead in spite of such opposition. For the last 50 years the graduates of our medical colleges have gone to England and they have entered the Indian Medical Service by open competition with British medical students and they have not been found wanting in any respect. Our medical graduates have also rendered singular services during the War and they too have acquitted themselves very creditably. I shall however leave this subject alone. I shall conclude by reading the observations of Colonel Gidney who is a retired member of the Indian Medical Service and is also a member of this House on the question of the overlapping of the functions of the administrative medical departments of the Government of India. From that it will be seen that there is great deal of scope for retrenchment with regard to the departments under consideration.

This is what Colonel Gidney says :

'I see no reason why there should be two Directors at the head of the Medical Services in India with their large staff, namely, the Director of Medical Services in India and the Director General, Indian Medical Service. When their duties overlap so extensively, this

is a luxury, not a necessity. I submit that their duties so frequently overlap that one man with an adequate staff could carry out, and efficiently carry out, the medical needs of the country and of the Army. This duplication of labour is imposing an unfair and an absolutely unnecessary burden on the Indian exchequer. The Director General, Indian Medical Service, with an adequate staff is quite enough to discharge the medical needs of the Army in India.'

So I say that not only is there a great deal of scope for retrenchment here, but also I would appeal to the Finance Minister to look into the military accounts with regard to their medical service, and although we cannot touch, make any retrenchment in that direction, yet when the Retrenchment Committee comes to sit, let us hope that it will not only be able to effect a large reduction on the civil side of the medical administration but on the military side as well regarding which we were told by Colonel Gidney that there is a great deal of the overlapping. The retrenchments I suggest are merely nominal, and I submit that the retrenchments should not be limited to votable items only but should be extended to the non-votable items of these Departments. I welcomed the announcement made by the Honourable the Home Member yesterday that when we took off a lump grant, his Department would do their best not only to reduce the votable items but also examine closely the question how far officers in the non-voted list might also be reduced. Since this will be done in the Home Department, I hope the Members of the Government and the Finance Member also will follow the same policy, and will apply the same operation to this Department. With these words, I commend my amendment to the House.

**Mr. H. Sharp:** Sir, I think that possibly I have been rather foolish and lacking in foresight. For, judging by our experience this morning, I think that I should have been well-advised had I changed the heading of this Demand—if I had been permitted to do so. It is called 'Medical Services'—and one knows that the word 'Service' is always apt to provoke criticism. Now suppose I called it 'Medico-logical Department', it might possibly have saved me those criticisms which my friend from Bengal has given vent to. However, I feel I err in good company because I might have suggested to the Honourable Sir Malcolm Hailey to substitute for 'Income-Tax' 'Income-ological Department'. (Laughter.) Then that Demand might have had a better fate.

The Honourable Mr. Chaudhuri considers that retrenchment is possible here. He has pointed out that the subjects with which this Department of medicine deals are mainly transferred, and he has suggested a doubling up between the office of the Director, Medical Services, and that of the Director General, Indian Medical Service. He has also spoken about increases having taken place. Well, Sir, as his proposed reduction is nominal, I do not think that this House would appreciate it if I were to go into extreme detail here and defend all the items in the rather complicated estimates under this head. But I will just remind Mr. Chaudhuri of one or two things. As regards the increase of which he complained, it was necessary to increase the pay of the establishment, just as it has been necessary to increase the pay of the establishments in other Departments, for obvious reasons of which everybody is aware. As to the increase in travelling allowance, that is mainly for the Director of Medical Research. The subjects with which this Department deals are not altogether transferred. The service has to be looked after. Also, the central institutions and agencies for medical research are Central subjects, and for that reason it is necessary that we should have some agency at headquarters. (*A Voice*, 'Some'.) Then, again, the Government of India, in performing their functions in these matters, have to have some advice. Now, Sir Deva Prasad Sarvadhikary yesterday made some remarks of a very kindly nature, and I should like to acknowledge those remarks which he made and which Mr. Chaudhuri made too. One of his remarks was possibly a little bit ambiguous. He spoke about the distractions of a bachelor! As far as I could make out, those distractions were very dull and drab coloured. I entirely endorse that. But among those distractions I have not found time to make myself a Doctor of Medicine or to earn the Diploma of Public Health or to become an expert in Bacteriology or Archæology or to obtain a degree in Biology. It really is necessary that, to carry out our functions properly, we should have people at headquarters to give us expert advice on these matters.

Mr. Chaudhuri spoke about the action which the General Medical Council were taking in trying to curtail the rights of medical graduates in this country. I am afraid that he has not been quite convinced by what Dr. Norman Walker told us the other day; I do not know whether Mr. Chaudhuri was there; if not, then he missed a very interesting lecture. But I wonder whether it occurs to Mr. Chaudhuri that the retention of this Department, and even its strengthening, is one of the very best ways of getting a more or less independent agency in this country which will be able to defend the

medical qualifications of this country in the eyes of other countries. Even at the present moment, to-day, General Sir William Edwards is holding a meeting of the Public Health Board, which is a body just created and which I hope will one day grow into a very powerful and a very useful body for these matters.

Mr. Chaudhuri appealed to me to exercise the same discretion which has been exercised, or is going to be exercised, by other Departments in the matter of retrenchment. I can honestly assure him that I am just as keen on reasonable retrenchment as anybody else. I have already made some efforts to forward a scheme which might result in the retrenchment of some of the establishment regarding which he particularly complained I do not know whether I shall be successful or not. But I can assure him that if any items are found which will bear retrenchment, this Department will delete them. I would suggest that this might be left to the Retrenchment Committee. I believe that with that assurance Mr. Chaudhuri will withdraw his motion.

**Mr. J. Chaudhuri:** Having regard to the statement made, I beg leave to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 7,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Medical Services.''

The motion was adopted.

PUBLIC HEALTH.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 9,59,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Public Health'.'

**Mr. J. Chaudhuri:** Sir, my amendment only raises a question of policy with regard to the amalgamation of the two Departments of Public Health and of the Medical Services of the Central Government. I recognize that this is a very useful Department, but I find that there is a Public Health Commissioner, and although under Medical Services there is a Director General and a Deputy Director General, an Assistant Director General and an Assistant Deputy Director General, yet there is also an Assistant Director General in this Department as well. I believe that the functions of these two Departments can be amalgamated, and a great deal of retrenchment effected. I do not want to cut out any non-votable portion of the Demand, but I would commend to this House and also to the Honourable the Finance Member the suggestion made by the Home Member yesterday that retrenchments will also be made with regard to the officers on the non-votable list. I welcomed that announcement made by the Honourable the Home Member and greatly appreciate it. Also having regard to Mr Sharp's assurance with regard to my previous motion which, I take it, applies to the present one, I leave the matter in the hands of the Government and the Retrenchment Committee.

**Sir Jamsetjee Jejeebhoy:** Sir, while we are on this question, may I inquire from the Member in charge whether the item which appears in this demand for the purchase of serum bottles, amounting to Rs. 75,000, is to be spent here or in England ?

**Mr. H. Sharp:** Sir, I do not think it is necessary for me to say anything as regards Mr. Chaudhuri's remarks, because, after speaking a little, he has not moved his amendment.

As regards what Sir Jamsetjee Jejeebhoy has just said, I have not got the exact figures regarding these bottles with me, but I think I am right in saying that a large part of this expenditure is incurred in England. (*Mr. Samarth* : 'In England' ?) I think so.

**Sir Jamsetjee Jejeebhoy:** In view of that, Sir, may I draw the attention of the Honourable Member to Demand No. 30, which will be before us in a short while, from which it will appear that Government spend Rs. 59,000 every year on the development of the glass industry in this country.

**Mr. H. Sharp:** I was about to explain that, as a matter of fact, I believe a large amount of this money is intended for the purchase of an apparatus called 'Maynard's Capsules'. These are made only in England. At least, according to what I learn from the Medical authorities, there is no other country which makes this apparatus. But I will give Sir Jamsetjee

Jejeebhoy precise information as early as I can. I cannot say exactly how much of these stores is brought from England. I only know that some of these appliances, these serum bottles or capsules, must be brought from England. They cannot be obtained elsewhere.

**Mr. N. M. Samarth** (Bombay : Nominated Non-Official) : Has the Honourable Member made inquiries from the glass factory at Poona, or from the factory near Indore, or from the factory at Ambala ?

**Mr. H. Sharp :** No, I have not made inquiries, but I shall be very happy to do so and possibly Mr. Samarth will give me the exact addresses.

**Mr. N. M. Samarth :** If samples are given to me, I shall see that they are supplied.

**Mr. President** : The question is :

'That a sum not exceeding Rs. 9,59,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Public Health'.'

The motion was adopted.

AGRICULTURE.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 7,73,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Agriculture'.'

**Mr. C. S. Subrahmanayam :** Sir, I move :

'That the demand under head Agriculture be reduced by Rs. 55,950.'

In regard to this Department we desire, roughly, to make a reduction of 5 per cent. on the total Demand. The direction in which economy might be effected is in regard to some of these specialist appointments, of which probably two, and one certainly, might be omitted. That is one direction in which there is scope for inquiry. There is no doubt that we look upon any reduction in this demand with a great deal of regret, because it is a Department in which we are all directly interested, as most of us are landowners : and also because it is a Department which has done a great deal of useful work. Our attitude should not therefore be misunderstood. So far as my province is concerned, the recent activities of the Department have done a considerable amount of tangible good, that is to say, the researches and experiments made by officers of this Department have shown the ryot how to produce more. That is, the old proverb that you should be able to make two blades of grass grow where one has been grown has been demonstrated in the case of the cultivation of paddy. In other directions also the Department has been doing very useful work. I do not know what the experience of other provinces is, but I daresay other provinces are equally benefited by the Department. But our object in moving this reduction here is that the Honourable Member for Agriculture may with a certain amount of freedom look into this matter and see whether he cannot effect reforms, changes, and improvements which we have been pressing upon the attention of the Government during the last few days. With that object, without meaning any dissatisfaction with the work of the Department or the feeling that the Department is carried on in any extravagant scale, I move this reduction with the hope that the closest scrutiny might be made in the charges under this Demand.

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, I see an item of Rs. 1,000 provided on page 84, for the entertainment of visitors. May I know what class of visitors are entertained at the research institute and why ?

**The Honourable Mr. B. N. Sarma** (Revenue and Agriculture Member) : Sir, I alluded at some length yesterday to the scope of the activities of this Department and I would respectfully suggest to the House that they ought not to apply this usual formula in respect of this branch of Governmental activity. The Government have borne in mind fully the wishes of this Council and the country at large and have been steadily trying to furnish facilities for the training of Indians in higher agricultural education, the best that would be possible in any country. Last year it was the good fortune of the Department to have been able to appoint 7 Indians out of the 8 Imperial officers from the various provinces, and we hope to pursue a similar policy of Indianization within the rules as far as efficiency would permit it, by improving and enlarging the educational facilities of this research institution. Honourable Members will find on page

84 a small provision for Rs. 16,000, which alone I could get from the Finance Department for extension of the research institute, not that I am not thankful that the Finance Department has been able to give us something. (Laughter.) That we have been able to secure, because the Government of India recognises fully that whatever be the financial pressure something must be done for improving the higher education of the country in agriculture, and we have been strengthening the research staff, so that the officers may be able to carry on their duties, both as research officers as well as teachers, without impairing the efficiency of the department either in the tutorial line or in the research line. The demand in this direction, Honourable Members will find, is actually less by Rs. 1,77,000 than the actuals of 1920-21. The slight increase over the Revised Estimate and the Budget Estimate of 1920-21 is due to the causes that I have mentioned, *viz.*, the strengthening of the Department with a view to making it an efficient educational and research centre.

With regard to the question that has been put by my friend from the Central Provinces, I may state that Pusa is rather remote from the main centres of population, and a number of gentlemen interested in agricultural pursuits go to Pusa and have to be accommodated there, especially when the sceintific officers meet there for the purpose of concerting measures for the future programme of work which should be adopted by the Agricultural Department as a whole, whether at the centre or in the various provinces. It is for the purpose of meeting the requirements of such visitors that this small provision of Rs. 1,000, I believe, has been made.

I hope, therefore, Sir, that in view of the desirability of making a larger provision, should funds permit it, this Council would let this grant alone.

**Mr. Darcy Lindsay**: Sir, in the interests of the Democratic Party (Hear, hear) and to assist me in arriving at a decision as to whether or not I should support that party on the present Demand, in view of the forbearance that they have shown in allowing the past few demands to be voted on without the usual 5 per cent. cut, I desire to ask the Honourable the Finance Member the immediate effect of this 5 per cent. general reduction. I notice, Sir, in this particular Demand that Rs. 3,46,000 is non-votable; and that is equal to about one-third of the total Demand. As I presume that there may be considerable difficulty in dealing with the non-votable items in spite of what was said by the Honourable the Home Member yesterday, of which so much has been made by my Honourable friend, Mr. Chaudhuri, the reduction may fall on the non-votable sections in much larger proportion than 5 per cent. I presume the Honourable the Finance Member will give immediate effect to this 5 per cent. general reduction, and it may largely fall on the subordinate staff (*Voices*: 'No, no,' and 'Let it') who not being under covenant are the more easy to dismiss. (*Voices*: 'No, no.')

**The Honourable Sir Malcolm Hailey**: Sir, the Honourable Member has asked me a direct question and as far as is possible on the spur of the moment I will give him the information for which he has asked. Let me assume for the purpose of argument that the reductions made under each head by the Assembly will be accepted by Government and carried out in action. As a rule the 5 per cent. reduction which the Assembly has sought to make is calculated on the total votable and non-votable expenditure. As I have said, I am assuming for a moment that we attempt to give immediate effect to that reduction. Where officers on the non-votable list are only loaned or are on deputation from Provinces to the Central Government, it is possible to dispense forthwith with their services, as they will simply return to their local Governments, and there will be an equivalent saving to the Central Government. Where they are not so loaned, and permanently belong to Central Government Departments, such as the Customs, Audit, Archæological, or the like, then it is not of course possible under our existing constitution to reduce the higher paid posts, save with the sanction of the Secretary of State, that matter being reserved to him under section 96 of the Act. Suppose the Secretary of State gives sanction, the officer has to be compensated, for you cannot dismiss an officer without giving him what every commercial firm would give him, namely, adequate compensation for the reduction in his emoluments or for dismissal from the service. Therefore, in such cases there would not be a saving equivalent to what might at first sight appear possible, though the cost would be transferred from the particular head of demand to that relating to non effective charges. Proceeding further with the process of reduction, we should, in order to make up any shortage in the saving, have to turn to the votable expenditure. Possibly it would be found that there was considerable scope there. We might reduce contingencies; we might refuse to allow officers to travel; direct them to cut down their office expenditure, and so forth. Next we might order the heads of the department to get rid of any temporary

establishment they had. The final step would be to reduce the subordinate establishment, though of course where these are on a permanent basis, they in turn must be compensated.

I have described in outline the process to the House. I cannot say offhand exactly how we should apply that process to the various departments. I think it is inevitable that in any case we should, if we carried out these reductions to the full, have to get rid of a certain number of the subordinate establishment. That might be inevitable. (*A Voice*: 'Quite unnecessary.') The Honourable Member says it is quite unnecessary. He may, of course, have other ideas in regard to the way a reduction might be effected, and may no doubt be able to contribute his advice to the House. But I note that when lately some members spoke of the inadvisability of reducing the pay of the subordinate establishments, the Honourable Member himself speaking from his place asserted that the proper way was to reduce the numbers. I have described the effect of reducing the numbers, and it is inevitable in my opinion that the reduction should apply in some cases to the subordinate establishment.

**Rao Bahadur T. Rangachariar:** Sir, I am glad this question was raised by my Honourable friend, Mr. Darcy Lindsay. It was probably to frighten the House in regard to the havoc this Democratic Party was contemplating. The proposal in this case is to cut down by the modest sum of Rs. 55,950, the total expenditure of over 11·19 lakhs. If Honourable Members will scrutinise the items from pages 84 to 89, they will find that each page is studded with 'Leave Allowance,' 'Travelling Allowances,' 'Contingencies,' 'Temporary Establishment,' 'Revision of Establishment,' 'Entertainment of Visitors,' and other contingent charges. I have not had time to count up these figures; but a rough computation of the Travelling Allowances, Contingencies and Miscellaneous alone amount to more than 1½ lakhs. If a man is a supernumerary, get rid of him, whether a votable or non-votable man. The country will be prepared to pay him compensation. We are not anxious to retain supernumeraries if they have no work to do. If there is too little work and you have two officers to do it, I don't think the country will object to getting rid of them. They will say: 'By all means give him a handsome pension, or transfer him to some other department.' If you can transfer an electrician to make him a purchaser of stores, I suppose there is scope for transferring other people from one Department to another. I say you should really have no difficulty in going into this matter. I daresay Sir Malcolm Hailey himself will be the first to make the suggestion and so help the Retrenchment Committee. There will be no serious harm done, if he is either a subordinate or a votable or non-votable officer. If they are really giving a substantial return for the pay received, the Democratic Party will not ask that they should be removed. We give that guarantee. I remember travelling one day with a European Police Officer and an Army Officer, and they asked me: 'What are you going to do with us? Are you going to send us bag and baggage out of the country?' Such is the fear created in the minds of the British people in this land. Speaking for myself and those of my way of thinking, this country is not going to commit any such folly—I would say, crime. This country is not so senseless; we are not savages; we belong to an ancient civilization; we honour contracts much more than any other nation in the world. (Cheers.) Let there be no such fear. Whether European or Indian, so long as the officer has no work to do, we shall have to say goodbye to him but pay him compensation. Let there be no fear that this 5 per cent. is going to do any injury. It is going to do good both to the Government and to the country.

**The Honourable Sir Malcolm Hailey:** May I ask Mr. Rangachariar to tell us on behalf of his Party how his analysis of what would happen in any way differs from mine? I outlined the process of effecting economies in order to meet the reductions it is desired to make. I think he rose in order to put me right, but I cannot find that his analysis in any way differs from my own; nor do I remember that I suggested the absurd charge which he has sought to fix on me, that his party desired to turn out officers bag and baggage and without compensation. I made no such charge against them.

**The Honourable Mr. B. N. Sarma:** Speaking for myself, there is ample ground for not enforcing that general principle on which this House is acting. With reference to some of the items to which allusion has been made, Honourable Members will note at page 84, provision for an officer on special duty, provision for revision of Gazetted staff at Pusa, made in the Budget Estimate of 1921-22, but not in the Revised Estimate for 1921-22, nor in the Budget Estimate of 1922-23. I took particular care to see that in this financial year of pressure we do not ask the House to

sanction any items of that particular character. Honourable Members will also note the Temporary Establishment. The pay of temporary establishment last year was budgetted at Rs. 13,180. This year it is *nil* Revision of establishment, Rs. 15,790 last year. Nothing in the Revised Estimate and nothing this year. So you will see that we have cut down wherever there was a possibility. Honourable Members will notice on page 85 the provision of Rs. 9,345 for an Imperial Cotton Specialist under Actuals, 1920-21, reduced to Rs. 3,340 last year and nothing this year. Similarly, we have given notice to the Indigo Research Chemist. He has done wonderfully good work for this country and let me take this opportunity of thanking him for the service he has rendered to the country in the cause of indigo research. We gave him notice the moment we found that his services were no longer required and he himself informed the Government of India that he thought that there was no necessity for any further research in that particular line. Therefore the House will note that officers are not anxious to continue a day longer than they think it is necessary for their particular purposes, especially when they are engaged for special periods. (Hear, hear.) Honourable Members will notice therefore that we have cut down wherever we could these contingent and other charges. But in a department which is to carry on farming, we must necessarily make some provision for contingencies and so on. Honourable Members cannot say that this can be cut down because, without some such provision, we cannot carry on agricultural operations, such as, dairy farm, breeding operations and so forth. The only question is whether we are utilising larger sums than it is expedient or desirable in this direction. I hope therefore that what I have said would induce my Honourable friend to see that in this particular branch public money is not wasted.

**Mr. President:** The question is:

'That the demand under head 'Agriculture' be reduced by Rs. 55,950.'

The Assembly then divided as follows:

AYES—44.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Das, Babu B. S.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Ibrahim Ali Khan, Lieut.-Nawab M.
Iswar Saran, Munshi.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Sarfaraz Hussain Khan, Mr.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.

NOES—46.

Aiyer, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Amjad Ali, Maulvi.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
Misra, Mr. B. N.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

**The motion was negatived.**

**Mr. President:** The question is:

'That a sum not exceeding Rs. 7,73,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Agriculture'.'

The motion was adopted.

CIVIL VETERINARY SERVICES.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 6,38,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Veterinary Services'.'

**Mr. S. C. Shahani:** Sir, I rise to propose:

'That the provision for the Civil Veterinary Services amounting to Rs. 6,38,000 be reduced by Rs. 35,850.'

This is a 5 per cent. reduction: I am sorry that a larger reduction has not been proposed in the case of this Demand No. 29.

I would draw the attention of the House to two items on page 91. The first relates to the purchase of animals. Last year we spent Rs. 62,000 on the purchase of animals and it is proposed in this year of financial stringency that we should spend Rs. 90,000. Here alone the Demand could be reduced to the extent of Rs. 28,000. I would next draw the attention of the House to another item 'stable keep and feed'. Last year we spent Rs. 2,40,000 under that head, and this year it is proposed that our expenditure should amount to Rs. 3,00,000. (*Mr. R. A. Spence*: 'Of course, because there is a bigger purchase of animals.') As I have already implied, it is not necessary to purchase animals in this year of financial stringency, and we have to remember that fodder is distinctly cheaper and we should on that account be spending less than Rs. 2,40,000.

I would further point out that the Superintendents of this Department serve no useful purpose; to my knowledge these appointments are sinecures. There is a provision of 14 Superintendents in one place and I suppose of several more in other places. (*The Honourable Sir Malcolm Hailey:* 'No, no'.) 14 Superintendents are provided and the number of Superintendents could very reasonably be reduced. (*Mr. R. A. Spence:* 'There is only one Superintendent, is there not?') On page 40 you will find 14 Superintendents. (*A voice:* 'No. 14 is the number of Superintendent, Clerks, Artist, Photographer, etc.') I beg your pardon, it is an oversight on my part. But these appointments ought to have been separated. Grouping them together is misleading. The number of Superintendents and of clerks, etc., should have been indicated. I do not now object to this item of expenditure. But on the two other grounds I propose the reduction which, I trust, the House will support.

**The Honourable Mr. B. N. Sarma:** I am sure that this Resolution has been moved under a misconception. The net charge of this Department, Honourable Members will notice, is only Rs. 1,06,000. Under the head of Receipts, we hope to be able to get during the year Rs. 6,11,000 as against Rs. 4,64,000 during the current year, and that is by the manufacture of serum which is supplied to the various Departments and Governments. The complaint is that we do not manufacture enough, and we have had to seek other places for its manufacture. We are trying to see whether any other places can be discovered where serum can be manufactured economically and in sufficient quantity. If you are to get a larger revenue, you must manufacture more serum. Of course, part of the increase is due to the increased price which we are going to charge for our supplies. But, apart from that, you must, I suppose, expend more money upon animals in order to manufacture more serum, and that would necessarily increase the cost of feeding also, assuming that the rates are the same. I think, Sir, that on reconsideration Honourable Members will complain that the Government is not really spending more upon this Department (Hear, hear) than it has been able to do during the past for few years or that it proposes to do during the next year. This is a Department which deals with the cattle wealth of the country. (Hear, hear.) Numerous cattle, well-nourished and in the prime of life, are being carried away by disease (Hear, hear), and here in Mukteswar, men far away from the centre of civilisation are toiling and working hard to manufacture serum to save these animals from untimely and premature death. I am speaking with warmth, because I feel that we have not been able to do more. Honourable Members have chosen a particularly inappropriate subject for retrenchment, owing, I am sure, to a misconception of the functions which this Department has been performing, and I am sure that, after my explanation, they will blame me for not suggesting a larger expenditure.

Then, again, with the keen and able Chief Director, whom we have now got, we hope to be able to train our young men in Civil Veterinary Science, because our expert Director tells us that nowhere in the world are facilities so great as at Mukteswar for teaching the higher branches of Civil Veterinary Science, and he hopes to be able to carry out those duties with the able staff that he has been able to secure, four bacteriologists and others without any great additional cost. At a time, therefore, when the attention of everybody ought to be directed towards strengthening the Department, I hope nothing will be done by this Assembly to injure a Department which they ought really to succour and assist.

I hope, therefore, having regard to the fact that the net cost to the State for this Department is only Rs. 1,06,000 on which a 5 per cent. reduction would only amount to Rs. 5,300, that the Department is doing such useful work and that it has got such immense potentialities for improvement and development, the Honourable Member will see his way to withdraw this Resolution.

**Mr. S. C. Shahani**: In view of what has been said just now by the Honourable Mr. Sarma, I withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President**: The question is:

'That a sum not exceeding Rs. 6,38,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Veterinary Services'.'

The motion was adopted.

INDUSTRIES.

**Mr. President**: The question is:

'That a sum not exceeding Rs. 1,40,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Industries'.'

**Mr. B. S. Kamat**: Sir, I move:

'That all items under the sub-head 'Acetone Factory, Nasik,' be omitted.'

Regarding this Acetone Factory at Nasik in the Bombay Presidency, Members will recollect that the subject came up for discussion at Budget time last year in this Assembly. At that time Sir Thomas Holland, who was in charge of the Department, promised that he would look into the question as the future of this factory was under the consideration of the Government. He placed before us detailed proposals regarding what Government were thinking of doing with reference to this Acetone Factory. He told us last year of three alternatives. Government were contemplating the sale or the leasing of this factory or perhaps to turn it to some industrial purposes for the bye-products of acetone. I am very sorry indeed to find that nothing practical has been done during the past 12 months by Government. It is true that in this year's Budget we find that the post of the Superintendent, Manager and Engineer has been abolished, because I don't find any provision for that here. But I don't think Government has yet come to any definite decision regarding the sale of this big factory. Members are aware that this Acetone Factory was started during war-time for military purposes. I think Government have spent on this factory over half a crore of rupees. Since the termination of the war, I don't think the factory has been worked for really military purposes. If it is worked for acetone, it is for the requirements of peace-time. The time has really come, therefore, for Government seriously to consider whether they ought not to shut down this factory and save the Treasury a great amount of loss. I am referring to the loss because I find, Sir, from the budgetted figures, as contained in this estimate, that although last year we were told there would be on the receipt side of this factory something like 4 lakhs from the sale of the bye-product, namely, Butyl Alcohol, yet from the budget figures before us I find that the total realisation is Rs. 1,50,000. The result is that on the expenditure side of this factory during last year we have Rs. 2,50,000, and on the receipt side you will find we have only Rs. 1,50,000. Thus, the factory has been worked during the last year at a loss of over a lakh of rupees.

It will be seen from all this that Government have no right, no business, if I might use that term, to conduct this factory at a loss to the public treasury, and it is time for them to come to a decision about the sale, leasing or any other way of disposing of this large factory. My own grievance as regards this is, first, that a factory which is no longer needed for military

purposes should not have been transferred to Industries on the civil side. Secondly, if Government have adopted this child, if I might use the expression, from its military parents, it is the duty of Government to conduct it on a business and sound footing, and they should not incur this loss of over a lakh of rupees in running the factory. Thirdly, it is a very large factory over which the public exchequer has spent over 50 lakhs of rupees. I should like to know what earnest efforts have been made by Government to work it on an industrial or commercial basis for the manufacture of paints, varnishes, etc., about which Sir Thomas Holland told us last year. And if Government have found after all their efforts that they cannot run the factory by making both ends meet, they should at once shut down this factory, keep a care-taker only to look after the same and take their own time for negotiations or for coming to a decision as to what they will do with it. They have no excuse for spending this Rs. 77,000, which is the amount budgeted for the coming year. Although they have abolished the post of Superintendent, Manager and Engineer, they propose to keep an officer in charge on a salary of Rs. 1,000 a month. This officer is given a large establishment which at the end of the year will be Rs. 77,000. I do not know whether it will even then be a self-supporting proposition. From the receipts during the present year at any rate it does not appear to have been a self-supporting proposition, and I have no reason to believe that in the next year it is going to be a paying concern. I therefore think an explanation is due from the Honourable Member in charge as to why a provision is made for Rs. 77,000 as also for an officer at the cost of Rs. 1,000 a month, and why Government is lingering on with this project at the expense of the public treasury, and why the whole of this factory is not shut down till they come to a decision regarding its fate.

**Rao Bahadur T. Rangachariar:** Sir, I am not at one with my Honourable friend, Mr. Kamat, in connection with this Acetone Factory. From what we heard from Sir Thomas Holland last year about the usefulness of the institution and of the bye-products which are produced at this factory and which are likely to be produced, we formed a very good estimate of the usefulness of this institution. I am therefore sorry to note a remark, which Honourable Members will find at (*a*) by way of a footnote, that the sale of the factory is contemplated. Whether this decision is due to Sir Thomas Holland's departure from the country, or whether it is due to a change of policy on the part of Government, or whether it is due to the experiment having proved a failure—I should like to know why this determination has been made. I should be sorry if such an institution were closed—an institution where I expected, in fact I urged it last time, Indians would be trained in the arts connected with the factory. I made it a point and Sir Thomas Holland gave us an assurance that he would take every opportunity to take Indians and train them, taking advantage of the presence of this highly technically qualified gentleman who was in charge ; I expected a great deal in the course of the expiring year to come out of this institution, and I should be sorry indeed if such an institution is to be closed. It is the only institution in the country where Indians can get a training in this line. After all it is a process, I understand, which is readily adapted to the country, because the chief article which is used is rice; but I will not venture into any further details for fear of displaying my ignorance of the subject. Although the main product of this industry may be a product essential for war purposes, if we can manufacture articles suited for war purposes and by the same process manufacture also bye-products which will be useful to the country in peace time, I do not see why it is necessary to close that factory or sell that factory. It is hardly right to sell a factory like this where munitions are manufactured. I do not know whether it will be right policy on the part of Government to go and sell to a private party a munition factory.

**Mr. N. M. Joshi:** It is to be sold to the Bombay Government.

**Rao Bahadur T. Rangachariar:** I do not know whom it is contemplated to sell it to.

**Mr. B. S. Kamat:** It is a Government proposal.

**Rao Bahadur T. Rangachariar:** I do not know to whom they are going to sell the factory, but surely it would be dangerous to sell to a private company a munitions factory. Anyway one would like information on all these points.

**Sir Jamsetjee Jejeebhoy:** Sir, if my memory serves me right, I have heard that in the Bombay Legislative Council there was a proposal to buy this factory for 15 lakhs, and I should very much like to know from the Honourable Member in charge of Commerce if any arrangement has been arrived at with the Bombay Government with regard to it; and if there

has been, I suppose there will be economy on the expenditure under this head.

**The Honourable Mr. C. A. Innes:** I will endeavour to answer the various points which have been raised by Mr. Kamat, Mr. Rangachariar and Sir Jamsetjee Jejeebhoy.

Mr. Kamat complained that no decision had yet been arrived at in regard to the future of this Acetone Factory. That is not correct. The whole question was discussed by the experts of the Army Department in these matters in, I think, August last, and those experts advised the Government of India that the factory should be closed down. The reason for that is this: the factory was built in order to manufacture acetone. Now that the war is over the demand for acetone is very small and all countries are more or less in the same position, namely, that their facilities for the manufacture of acetone are far in excess of peace-time requirements. Had we continued the manufacture of acetone we should have had to run the factory, in order to run it economically, at its full power; and had we done so, we should have produced every year several years' supply of the peace-time requirements of acetone in India. The acetone can now be obtained quite cheaply from Europe and the Army Department is advised that it would not be a good business proposition to continue the manufacture of acetone at Nasik. As it is, the Cordite Factory has been supplied with several years' supply of this product. The consequence was that the decision was arrived at that we should close down the manufacture of acetone and the factory along with it.

Mr. Rangachariar has complained that had we maintained the factory we could have trained Indians there. We could have trained Indians in a very difficult and obscure fermentation process. Training of that kind can be obtained at the Tata Institute at Bangalore and it would not have been a good business proposition for us to maintain a large losing concern like this merely for the sake of training Indians. Consequently we decided that our best plan was to cut our losses and get rid of the factory; and as Sir Jamsetjee Jejeebhoy has just told the House, we have made over the factory to the Bombay Government. We have sold it to the Bombay Government for use as a distillery, so that the factory will not pass into private persons' hands. All the secrets of the process of manfacturing acetone by this difficult process are on record; and if in a case of emergency we want to restart the manufacture of acetone in this factory, we could do so without the slightest difficulty. That is another reason why we decided to close the factory. The Bombay Government propose to use the factory for the purpose for which it is fitted without any alteration or with very little alteration, namely, that of a distillery; and there will be ample opportunity for the training of Indians in at any rate distilling, if not in the manufacture of acetone.

I should have explained that the Budget estimate was of course prepared before this sale was made; all we shall require is a small provision for the transport and other charges connected with our stocks of butyl alcohol and for a clerk to look after our interests in the disposal of our consumable stores. For that we shall require a sum of Rs. 12,000. Therefore we shall be able to cut down the demand by Rs. 65,000; but I presume that the Democratic Party in pursuance of their 5 per cent. reduction policy will merely make a 5 per cent. reduction. (Cries of 'No, no'.) At any rate we shall only require Rs. 12,000 for our purposes next year.

**Mr. J. N. Mukherjee** (Calcutta Suburbs: Non-Muhammadan Urban): Sir, I seek explanation on a point which seems to me to be of considerable importance to the House. I have been noticing this point throughout and have been seeking an opportunity of bringing it forward to the notice of Honourable Members. So far as Demand No. 30 is concerned, Honourable Members will see that at the bottom of page 93 there is a sum of Rs. 2 lakhs shown as Receipts and the House knows that Receipts under one head ought to count in reducing the Expenditure under that head. One should have liked very much under the circumstances to have the expenditure under this Demand shown minus the receipts. If that had been done throughout the detailed estimates, the deficit that is shown on the Budget would have come to a much smaller figure than what appears. I shall bring to the notice of the House other items: for instance, if we come to the head Survey of India, Honourable Members will see that at page 66 certain recoveries have been deducted; they will find that 'For revenue survey adjustable under Land Revenue, for Maps etc., Contribution payable by the Hyderabad State, etc., etc.,' a sum of Rs. 21,73,160 has been deducted as probable recoveries. That comes to a very large sum. After deducting that sum the balance has been shown on the Expenditure side. I could mention other items where recoveries have been shown but have not been deducted from the expenditure. As a matter of

fact, where these receipts appear they must be taken as meant to reduce the expenses, and if that plan had been followed the deficit shewn would have been considerably less. For instance, again, if we come to Demand No. 29, Civil Veterinary Department, the House will find that recoveries or receipts expected to be realised come to Rs. 6,11,000—not a small figure. Then again at page 84—Agriculture—at the end of the items of expenditure, receipts are shown at page 89 amounting to Rs. 80,000 . . . . .

**Mr. President:** I think the Honourable Member had better let us dispose of this Factory first.

**Mr. J. N. Mukherjee:** As a point of accounting, Sir, I suppose we are entitled to have an explanation as to why this procedure has been adopted and why the expenses have not been shown after deducting these receipts which would have had the effect of placing the real deficit before the House. When other points come up they may be taken up individually, but if the House will examine the matter it will find that the point to which I have drawn its attention is only an example which illustrates the way in which the accounts have been prepared. A word of explanation therefore on this point will be of great use to the House.

**The Honourable Sir Malcolm Hailey:** May I answer the point raised by my Honourable friend on the point of accounting? I have had some difficulty in following his argument fully, but I gather that he thinks that we have failed to take account elsewhere of the receipts to which he refers. They are of course given here, as for instance on page 91 of the Demands for Grants, merely by way of information; they are duly booked on the income side of our general accounts. I think that what he asked us to do was to prepare for each department the net figures. That is a somewhat old question. Originally, as perhaps some Members of the Assembly will remember, in dealing with Railways we put gross figures on the one side and gross figures on the other. Now, in order that the general revenue and expenditure of the country should not be unduly exaggerated, we have treated Railways as a purely commercial department and we show only the net figures; similarly with Posts and Telegraphs and Irrigation. That is the correct way of dealing with a large commercial department. We have not attempted that course in regard to the smaller non-commercial departments, because the receipts are of a variable nature, sometimes merely of an incidental nature; futher we incur charges on our general service departments, such as Police, and Law and Justice, or our semi-scientific departments, such as Agriculture and Veterinary, or again on other departments, such as Meteorology, because these services are necessary in the general interests of the public, and without reference to the question whether we may or may not subsequently recover any income on their account. They are not commercial departments which ought of course to pay their own way; their receipts are of a purely incidental nature, and there is no great advantage, therefore, in preparing net figures in each case. I do not think that the change in the method of accounting to which the Honourable Member refers would make any difference at all to our deficit or the manner of exhibiting it.

**Sir Deva Prasad Sarvadhikary:** Sir, while the Honourable Mr. Innes' explanation has cleared up certain difficulties it has added others. As I understand him, this factory being no longer valuable for military purposes, it is being made over to the Government of Bombay for distillery purposes. Well, so far as the training of Indians is concerned, unless distillation is carried on in an industrial basis, which some of us demand, I do not think it will be of much use in the way of training self-respecting Indians who want the liquor traffic to be put down. But that is quite another matter. If factories that are growing useless for military purposes and are therefore not to have further attention of the Department of Industries,—and I think that is the right position to take—I cannot understand the explanation given lower down in the Estimates under this head regarding the grant to Calcutta Soap Works for a plant for refining glycerine, which if brought to a required degree of fineness, will lead to considerable reduction in the expenditure in Ordnance Factories. Now, whether it is right for the Industries Department to embark upon researches that legitimately belong to the military department is another question. If on the question of these munitions and their varying fortunes will depend the expenditure of this department, we shall have further difficulty added to the situation. Mr. Kamat speaks of the Acetone factory as a child of the military parents and that it is not wanted now. That is why Mr. Innes is now farming it out to the Government of Bombay. I recognise the saturnine mother-in-law Mr. Rangachariar who in back villages before female education and the suffrage movement came had the favorite occupation of getting hold of a darling daughter like Mr. Innes and teaching her and punishing her, so that the daughter-in-law who

brings a rich dowry and cannot be touched could be vicariously punished. That is nearly the position now in regard to this matter. I do not think that there is any justification for it. Calcutta gets no grant worth mentioning from the Government of India. The grant to Calcutta Soap Works . . . .

**Mr. N. M. Joshi:** The Calcutta University.

**Sir Deva Prasad Sarvadhikary:** I would much rather not refer to that much maligned and much injured institution, and the grudging doles to it because I think the less said the better. We had no financial backing worth the name and we had not even our much needed University Act before we parted company. Let that alone for the present. But if munitions which were wanted and were given to the Department of Industries to look after are left alone because they are no longer wanted, and glycerine or something else is taken up at the suggestion of the Military Department, I do not think it would be a right position for the Department of Industries to adopt. I raise this question because we are all very much interested in the development of industries, and I think we ought to have the matter cleared up.

**Mr. President:** The question is:

'That the demand under the head 'Industries' be reduced by Rs. 77,100.'

**Rao Bahadur T. Rangachariar:** Rs. 65,100 was the offer.

**Mr. President:** It was not moved.

**Rao Bahadur T. Rangachariar:** I will move it as an amendment.

**Mr. President:** The question is:

'That the demand under the head 'Industries' be reduced by Rs. 77,100.'

The motion was negatived.

**Rao Bahadur T. Rangachariar:** May I move, Sir, that Rs. 65,100 be substituted for Rs. 77,100?

**Sir Deva Prasad Sarvadhikary:** That you say is the offer.

**The Honourable Sir Malcolm Hailey:** We are quite prepared to accept it.

**The Honourable Mr. C. A. Innes:** Sir, I am quite prepared to accept the amendment of Mr. Rangachariar for the reduction of this figure by Rs. 65,000, which comes from the Democratic Party. But they are cutting the 5 per cent. from all our budget grants, and may say that we are at liberty to distribute the reduction as we think best among our different budget heads. So when I say that I am prepared to accept the reduction of Rs. 65,000, I presume that in pursuance of the Democratic Party policy only a 5 per cent. reduction will be made.

**The Honourable Sir Malcolm Hailey:** Sir, I am sorry to see that there should be a difference of opinion among the Members of the Executive Council on this matter, but I should like to point out that we on our benches proceed on the line of logic and reason. (Loud laughter.)

**Mr. President:** The question is:

'That the Demand under 'Industries' be reduced by Rs. 65,100 in respect of the Acetone Factory, Nasik.'

The motion was adopted.

**Mr. J. Chaudhuri:** I ask for some information in regard to this item I find 'School of Mines and Geology' on paper only. I find also a Principal, but he must have absconded somewhere, for I do not find his salary put down. There is, however, an establishment for the School of Mines and Geology which does not exist. I find temporary establishment, travelling allowance, miscellaneous contingent charges provided for an institution which does not exist and whose Principal has ran away somewhere. Again, there was in the last year's Budget some charge for a tanning institution, but I found from the supplementary Budget it has been abandoned and the Budget grant was transferred to the Stationery Department and appropriated for the purchase of a larger quantity of stationery. May I ask the Honourable Member, is this the way how savings effected are being appropriated for the purpose of retrenchment and giving effect to the recommendations of the Industrial Commission?

**Mr. A. C. Chatterjee:** I may explain that for reasons of economy we could not start this School. These reasons have been explained before. We are utilising the Principal as an Inspector of Mines. With regard to the temporary establishment and travelling allowance, the travelling allowance is meant

for the governing body. (*Mr. Rangachariar*: 'For what'?) For preparing plans and estimates for the School. The governing body is composed of gentlemen from all parts of India, many of them non-officials. (*Mr. Rangachariar*: 'Do not call them.') There may be a saving, but I really cannot make any promise. If the governing body chooses to meet they can do so. They have been appointed and the Government cannot very well prevent them from meeting.

With regard to the item about the Tanning Institute to which Mr. Chaudhuri referred, we gave it up on account of the financial stringency and had to utilise the money for other purposes.

**Rao Bahadur T. Rangachariar:** Will the Honourable the Finance Member kindly take note of what has just been stated that this Rs. 10,000 travelling allowance is intended for the governing body of an institution which does not exist?

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 74,900 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Industries'.'

The motion was adopted.

AVIATION.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 37,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Aviation'.'

**Dr. Nand Lal:** Sir, the motion which I am asked by the Democratic Party to move runs as follows:

'That the demand under head 'Aviation' be reduced by Rs. 2,550.'

Now, this is a Department in which the absence of Indian element is simply deplorable. The Indian factor is not only small, but I may be permitted to state, miserably small. Besides no effective step is taken to educate Indians in this line. It is wanted that they should be given training. I can anticipate very well the answer which will be advanced from the Treasury Benches, namely, that we are introducing Indians to this department, that this department is a highly technical department and that this requires great deal of training. In reply I may submit at once that this answer will be treated at least by my humble self as a stock argument. I should like to ask, though very respectfully, what active step and what effective measures have been taken by the Government to give a proper response to the wishes of the people of this country so far as training Indians for this department is concerned. I may point out to the official Member in charge of this department that Indians have got special aptitude for this science. And the official Members, learned and great scholars as they are, know the ancient history of India and shall bear me out when I say that this science is not altogether new. I think it will be sufficient to remind them by saying that Ramayana is a very authenticated evidence to prove that this science was known to Indians, though not in the present form. So far as the misplaced fear, entertained by some non-Indians, that the real object is that non-Indians may be ousted from this department is concerned, I should like to point out to them that it is not the object. The object is that the children of this soil may be trained and that they may be of useful assistance to the Government. That is the real idea, so that non-Indians who call themselves great experts may give the benefit of their skill and expert knowledge to some other British possessions. That is the idea.

**The Honourable Mr. B. N. Sarma:** May I say that there is only one officer, the Chief Inspector, for the whole of this Budget?

**Dr. Nand Lal:** I shall come to that point hereafter. Therefore there is no room for the argument of the Honourable Official Member to refute the contention that I have now put forward. The argument may be advanced that Indians cannot be taken owing to the lack of technical knowledge. My answer would be that the officers who are in charge of this department and who have got to deal with this science of aviation are not immortals. They are, like us mortals; apart from it those who are experts now must have been new in the beginning. So, this plea has not got great force. Certainly some sort of training is required, but Indians, as I have already submitted, have the capacity to apprehend and understand as quickly as the people of other countries.

On these grounds, I submit that the reduction, which is modest in its amount, may be allowed; and so far as my learned friend, the Honourable Mr. Sarma's question is concerned, I may very respectfully point out that though there is only one officer, but there must be a number of non-Indians who are being trained for this department; and no effective step having been taken to train Indians for this line, my complaint is not misplaced. With these few remarks, I submit this amendment before the House, and I hope it will be passed unanimously.

**Mr. R. A. Spence:** Sir, if it were not that the last speaker had commenced his remarks by saying that he spoke in the interests of the Democratic Party, and thereby must necessarily be speaking for retrenchment, I should support this amendment of his. I do not think he really went for retrenchment, I think he went for a vote of censure on Government for not doing more for India as regards aviation; and I think that on that question we might in this House record our opinion that Government has not done as much as it might do for aviation, and that the little sum of money, Rs. 66,000, which was saved from the last item, might be spent in increasing the sum spent on aviation, and that we might therefore be able to train up Indians in this art of aviation. I think that if the Honourable Member, Dr. Nand Lal, had moved his amendment as a censure on Government for not doing more for aviation, it would have met, not possibly with the unanimous support that he anticipated, but certainly with more support than he will get by also asking that we should retrench on such a subject as Aviation.

**Colonel Sir Sydney Crookshank** (P. W. D. Secretary): Sir, in the minute item of Rs. 37,000 which is demanded under this head, Aviation, it is extremely difficult to even recognize the hopeful and ambitious programme, amounting to about Rs. 6½ lakhs for next year's expenditure on civil aviation, which we had received from the Air Board. It was, however, impossible to give effect to a demand of so large a nature, in view of the financial stringency which exists. The position is that we intended to start a beginning next year and to add to the number of aerodromes which already exist in India and in Burma, and by that means to lay the foundation of what would be a service of civil aviation in the future in which, as required by my Honourable friend, Dr. Nand Lal, Indians would play a large part and receive training. As it is, all we have provided for is 4 officials—one European and 3 Indians. The Chief Inspector, being a European, is required to carry out inspection duties, to grant licenses, examine pilots, investigate accidents, examine aerodromes and so on and so forth. His functions must necessarily continue, unless possibly they can be transferred in the future to the Royal Air Force. As it is the demand is an extremely small one; I only wish it were bigger, in order that more development in this important line could take place, which, in the circumstances, we cannot request the House to give us in next year's Budget.

**Rao Bahadur T. Rangachariar:** Sir, the very reasons assigned by the Honourable Member for Government, Sir Sydney Crookshank, are good reasons why this item ought to disappear altogether from the Budget. Either the work must be done well, or it should not be done at all. I rather gather that this head exists simply because you have got a Chief Inspector drawing a salary of Rs. 1,200. Where are the aerodromes which he has to inspect? And then he gets a stenographer on Rs. 175 a month. How many letters has he to write and dictate, and how many long memoranda has this gentleman to dictate? Why does he want a stenographer? Can he not spare the time to write or type his own letters? I find that there is a regular craze for stenographers in every office. I do not know whether Assistant Secretaries also have them, but from a Deputy Secretary upwards every officer has a stenographer. They have become so lazy nowadays that they do not want to write their own letters. (Laughter.) They want to dictate to a shorthand writer and the shorthand writer must type it out and bring it to them. That is how extravagance is going on in this country. Why does this Chief Inspector want a stenographer? His pay ought to be struck off whether he is an Indian or an European. What work is this stenographer expected to do for the greater part of the year? What work is the Chief Inspector expected to do? Why should he not be transferred to some other Department where more officers are needed? Why should he not perform some other duties? Let him inspect boilers or something else. But here we are going on multiplying officers, with stenographers, clerks, head-clerks, Superintendents, Registrars. The English language is overburdened with words coined by the Indian Government. And it is by employing this large army of officers that it is done. Here is a clear case in which expenditure on

the entertainment of another officer should not be incurred. I would appreciate a really good air service, in which Indians might get an opportunity of training. But here we have a thing which is of no use at all, except the satisfaction which it might afford of feeding a gentleman and his clerks and stenographer.

**Mr. President:** The question is:

'That the demand under head 'Aviation' be reduced by Rs. 2,550.'

The Assembly then divided as follows:

AYES—53.

| | |
|---|---|
| Abdul Majid, Shaikh. | Kamat, Mr. B. S. |
| Agarwala, Lala G. L. | Lakshmi Narayan Lal, Mr. |
| Agnihotri, Mr. K. B. L. | Mahadeo Prasad, Munshi. |
| Ahmed, Mr. K. | Manmohandas Ramji, Mr. |
| Aiyer, Sir P. S. Sivaswamy. | Man Singh, Bhai. |
| Asjad-ul-lah, Maulvi Miyan. | Misra, Mr. B. N. |
| Ayyangar, Mr. M. G. M. | Misra, Mr. P. L. |
| Ayyar, Mr. T. V. Seshagiri. | Mudaliar, Mr. S. |
| Bagde, Mr. K. G. | Mukherjee, Mr. J. N. |
| Bajpai, Mr. S. P. | Mukherjee, Mr. T. P. |
| Barodawala, Mr. S. K. | Nag, Mr. G. C. |
| Barua, Mr. D. C. | Nand Lal, Dr. |
| Bhargava, Pandit J. L. | Neogy, Mr. K. C. |
| Bishambhar Nath, Mr. | Pyari Lal, Mr. |
| Bryant, Mr. J. F. | Ramayya Pantulu, Mr. J. |
| Chaudhuri, Mr. J. | Rangachariar, Mr. T. |
| Dalal, Sardar B. A. | Reddi, Mr. M. K. |
| Das, Babu B. S. | Samarth, Mr. N. M. |
| Ginwala, Mr. P. P. | Sarvadhikary, Sir Deva Prasad. |
| Girdhardas, Mr. N. | Schamnad, Mr. Mahmood. |
| Gulab Singh, Sardar. | Shahab-ud-Din, Chaudhri. |
| Hussanally, Mr. W. M. | Shahani, Mr. S. C. |
| Ibrahim Ali Khan, Lieutenant Nawab M. | Singh, Babu B. P. |
| Iswar Saran, Munshi. | Sinha, Babu Ambika Prasad. |
| Jamnadas Dwarkadas, Mr. | Srinivasa Rao, Mr. P. V. |
| Jatkar, Mr. B. H. R. | Subzposh, Mr. S. M. Z. A. |
| Joshi, Mr. N. M. | |

NOES—30.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Kabraji, Mr. J. K. N. |
| Aiyer, Mr. A. V. V. | Keith, Mr. W. J. |
| Bijlikhan, Sardar G. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | Mitter, Mr. K. N. |
| Bray, Mr. Denys. | Percival, Mr. P. E. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Rhodes, Mr. C. W. |
| Crookshank, Sir Sydney. | Sapru, the Honourable Dr. T. B. |
| Dentith, Mr. A. W. | Sharp, Mr. H. |
| Faridoonji, Mr. R. | Spence, Mr. R. A. |
| Fell, Sir Godfrey. | Vincent, the Honourable Sir William. |
| Habibullah, Mr. Muhammad. | Waghorn, Colonel W. D. |
| Hailey, the Honourable Sir Malcolm. | Way, Mr. T. A. H. |
| Hullah, Mr. J. | Webb, Sir M. dePomeroy. |
| Innes, the Honourable Mr. C. A. | Zahiruddin Ahmed, Mr. |

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 34,450 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Aviation'.'

The motion was adopted.

## Commercial Intelligence.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 3,34,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Commercial Intelligence'.'

The motion was adopted.

## Census.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 3,47,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Census'.'

The motion was adopted.

## Emigration—Internal.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 1,12,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Emigration—Internal'.'

**Mr. K. C. Neogy** (Dacca Division : Non-Muhammadan Rural) : I beg to move :

'That the demand under head 'Emigration—Internal' be reduced by Rs. 6,750.'

I beg to draw the attention of the House to the second item under 'India', reading, 'Moiety of pay of the Chairman, Assam Labour Board', Rs. 15,750. I want to know from Government something about the constitution of this Board. So far as I am aware, it is only the representatives of Government and the representatives of capitalists that are represented on that Board. Although it is named as a Labour Board, there is no representation of Labour on it. Time was when Government considered themselves competent enough to represent the interests of these classes, but that time has gone. I think I can say that Government sympathies are oftener than not with the Assam Tea capitalists. I will give only one instance. We know that the Indian Tea Association represents tea capital and most of the tea companies in Assam are members of that Association. It may not be known to many of us here that these Tea Associations have entered into a compact among themselves, which they call Labour Rules for the prevention of enticement of labour, but which practically reduce the labourer in the tea gardens almost to the position of a slave. Once a labourer joins a garden, he cannot leave it. If a gardener were to give shelter, even for one night, to a labourer who comes away from the garden in which he was employed, that gardener is liable to pay a heavy fine according to these rules. And this is not the only term of the contract. There are other terms which are quite as bad, if not worse. And do you know, Sir, what the condition precedent to membership of the Indian Tea Association is? It is the signing of these Labour Rules. And what is the attitude of Government towards this? It is one of active sympathy for the capitalists. Of recent years a large number of tea gardens have been started in the native state of Hill Tipperah which adjoins Assam. Now, these gardens are not under any obligation to join the Indian Tea Association. But the Assam planters found that, unless they were made to join the Indian Tea Association, which carried with it the observation by them of these Labour Rules, their interests might suffer. They approached the Government of Bengal for help in this matter, and that Government most obligingly put pressure on the Hill Tippera Darbar to induce tea gardeners in that State to join the Tea Association, which means that they would of course have to subscribe to these Labour Rules. I drew the attention of Government to this matter in Simla, and the Honourable Mr. Innes surprised me by saying that he had not seen these Labour Rules, and then I handed over to him a copy of these rules which I had with me. I hope he has profited by the perusal of that document and realises the gravity of the whole thing. With these words, I beg to move this motion.

**Mr. N. M. Joshi** : Sir, I rise to support the motion of my Honourable friend, Mr. Neogy. In the first place, the House should remember that this Internal Emigration is governed by the Central legislation, namely, by the Assam Labour Act, and is supported by the Workmen's Breach of Contract Act and several sections of the Indian Penal Code. As emigration is governed by these Acts, everybody here will agree that it is the duty of the Government of India to look into the working conditions of the emigrants who go to Assam to work on the plantations. I should like to know therefore from the Government whether they are fulfilling their duty in this matter. Sir, the Members of this Assembly know that only last year there were serious troubles on the plantations and these troubles Government put down to the credit of political agitators. I do not stand here to defend the political agitators, but I am quite sure Members of this Assembly know that there were other causes also. Last year the tea industry suffered a great loss. The plantations could not afford sufficient work for all the employees. The employees therefore got smaller wages with the result that the planters wanted them to remain there on smaller wages, while the employees were anxious to return home. It is this circumstance that caused the labour trouble in Assam more than the political agitator. The political agitator naturally takes advantage of any economic discontent ; I personally do not blame him. (Hear, hear.) As I said before, if a political agitator does not take advantage of the real grievances of the people, he does not know the art of his work. (Hear, hear.) Sir, the condition of the labourers on plantations is indeed very bad. What wages do the labourers on the plantations get ? An adult man gets an average wage of between Rs. 5 and Rs. 6, a woman gets about Rs. 4 and a child about Rs. 2. Let us remember that this is an average wage, so that there are many adult people who get less than Rs. 5. Is this a wage that is sufficient at present for a man to maintain a family ? Then, take the other conditions, the housing conditions, as well as their social conditions, and Government will easily see that there is enough for them to inquire into.

My Honourable friend, Mr. Neogy, has just now referred to one matter, namely, the rules of the Planters' Association, which prevent a labourer from making a selection of his master. Then, Sir, my Honourable friend, Mr. Neogy, has also referred to the want of representation for the working classes on the Assam Labour Board. I think the time has come when Government should pay serious attention to this matter. Then, Sir, I may be told by Government that the Government of Assam is making an inquiry into the conditions of the labourers on the plantations. On that Committee also there is no man who will represent the interests of the labourer. (*A Voice*: 'Why not'?) Somebody asked me 'Why not'. I am not responsible for the appointment of that Committee. Let that question be referred to the Government of Assam. Sir, the time has come when Government should seriously consider the conditions of work on these plantations instead of leaving that kind of inquiry to the Local Government. The Local Government as well as the Government of Bengal is more or less under the influence of the planters. This fact is clearly proved by the Government of Bengal taking action to induce the Native States round about the plantations to bring pressure to bear upon the planters within their territories to join the Planters' Association and accept their rules. Under these circumstances it is the duty of the Government of India to take up this question into their own hands and inquire seriously into it.

Sir, only a few months back the Labour Conference, which held its session in Geneva, passed several conventions and recommendations which can be usefully applied to labour on the Assam plantations. I hope the Government will also take this question seriously into consideration and see how far these conventions and recommendations may be applied to the Assam plantations.

Sir, there is one more point about which I should like to know something. The Government of India has still got the Assam Labour Act on its Statute Book. The Government of India, I know, have suspended by executive order the penal sections of that law, but I should like to know why they have merely suspended the penal sections and why they did not repeal those sections altogether. I would also like to know from the Government of India whether they have received the opinions of the Local Governments regarding the repeal of the Workmen's Breach of Contract Act, and when they propose to introduce the legislation for its repeal.

With these words I support the motion for the reduction of this grant, not only for economy but also in order to show Government that they are not doing their duty towards the labourers in Assam properly.

**Rai D. C. Barua Bahadur** (Assam Valley: Non-Muhammadan): Sir, it is a sheer libel to say that Government is antagonistic to the labourers in the matter of the tea industry. It would be truer to say that the Government have penalised the tea industry in favour of the labour population. Have they not arranged for the supply of rice to these people at Rs. 3 per maund when it was selling in the bazaar for Rs 7 or Rs. 8 per maund, notwithstanding that the tea industry was on the verge of ruin and heavy loss had to be sustained owing to the low prices realised by tea? I am afraid, Sir, that both the Honourable Mover and Mr. Joshi have not studied the question on the spot They should have gone there to see things for themselves.

**Mr. K. C. Neogy**: I have.

**Rai D. C. Barua Bahadur**: Then you have given no indication of having seen the Assam tea gardens.

**Mr. K. C. Neogy**: I did on several occasions.

**Rai D. C. Barua Bahadur**: In the face of this it is sheer bombast on the part of my Honourable friends to condemn the system of employment of labour that has been in vogue in the tea gardens of Assam. He, the Mover, said once a labourer joins a garden he becomes a slave. Is it really a fact? They have a compact not to employ each other's labourers, I admit, but what are the circumstances of the case? A tea-garden compact is not enforced by the State. The State has nothing to do with it. It is a contract between employers and employers. These employers sacrifice a good deal at the outset in recruiting the labourers. They send out recruiters to the recruiting districts and there they spend for each labourer from Rs. 100 to 200. They are then taken to the tea growing districts and there they are put under Act XIII about which we had a very long discussion in the last Simla Session, when my Honourable friend, Mr. Kamat, exposed the whole thing, and why Act XIII should be retained. That is the only labour law now in effect even for the tea industry. The other laws have long ago been abolished, that is, Act VI of 1901 or Act I of 1882; those were the penal laws and they have been abolished, as regards the coolies. But some of their provisions, tended

to benefit the coolies and not to put coolies in difficulties, have been retained. These questions ought to be studied very carefully before criticism is levelled at the Government. It is also not correct to say that labourers do not return to the gardens because the employers do not pay them as much as they used to pay them before. It is the speeches of unscrupulous agitators that led to the migration of the coolies from tea gardens. It was this that led to the disaster of Chandpur. It is an indisputable fact that they were misguided by the unscrupulous agitators. And what was the fate of these coolies when they returned to their own homes? They were not only tyrannised over by their own people and starved to death, but such of them as survived had to go back to the gardens. That is the state; that is the truth; that is the established truth I should say; and yet in the face of that it is said that the labourers wanted to return home. I should say that is a clear bombast to those that have been making a study of the question. Sir, in the face of these circumstances, I beg to oppose the amendment.

**Mr. C. W. Rhodes** (Bengal : European) : Sir, I shall not be at very great pains to answer the arguments of Mr. Neogy, especially after the defence of the poor Tea Association by the last speaker. Mr. Neogy has attempted to bolster up a weak case with strong words. I very much resent this reference to slaves. Many years ago Assam was hardly populated. India in many parts is overpopulated. These tea gardens were opened out and they attracted from these overpopulated districts people who have gone to Assam and who have settled down there and in many instances become wealthy owners of their own lands. From whence did these slaves come, Sir ? These slaves came from districts where they were the slaves of the village *bania,* bound hand and foot. They have found not slavery but freedom in Assam. It is quite admitted that in the old days there were abuses in recruitment. But I think we owe it to a fellow-countryman of my own, Colonel Kennedy, that those abuses many years ago were removed; and I should like to pay a tribute to the work Colonel Kennedy did in seeing that every vestige of abuse was removed. Mr. Neogy thinks that when a tea garden has paid a man's debts, given him his freedom and brought him to Assam, a neighbouring garden or a garden in Hill Tipperah should have a right to attract him away. That may be so according to Mr. Neogy's creed. Our creed is. 'Thou shall not covet they neighbour's servants.'

To Mr. Joshi I must speak more in sorrow than in anger. I am very disappointed to find Mr. Joshi thinks that any good is done to a labour by the political agitator. In the Assam-Bengal Railway strike and in the present unfortunate strike on the East Indian Railway, the labourer is suffering because of the political agitator, using labour entirely for political gain, making him a pawn in the game and sacrificing his life and property for personal ends. I trust we shall always find our labour representative in this House take a firm stand against this sort of thing and co-operating with the employer to get the best possible terms he can for those he represents.

As regards wages we have had Rs. 5 per month quoted as an average wage. It was mentioned before the Fiscal Commission when a gentleman, an Englishman, in fact a Government servant, was asked whether in the garden he referred to free medical assistance was given and he said 'Yes.' When my friends from Bombay were making large sums in their mills, I asked him if cheap cloth was given and he said 'Yes'; was rice sold to them in famine times below cost price? 'Yes' : whether they were given free houses, free land to cultivate ? 'Yes.' Then, Sir, where is the justice of talking about Rs. 5 per month as the average wage ? The Assam tea industry is, I consider, to-day one of the best run industries in India, is doing the most good to the poor of this country and is helping those who, as I say, are in slavery to the *bania* to go there and find that they can live as human beings.

**Mr. S. K. Barodawalla** (Bombay City : Muhammadan Urban) : Sir, I must first declare that I am not an owner of any tea gardens, nor am I interested in any way with the tea garden associations. But I must say that we are making too much of a good thing on behalf of labourers. A labourer himself works, as also his wife and sometimes his children too work. Time is now coming that we are beginning to spoil them. As has been explained by my Honourable friend, Mr. Rhodes, I do not understand why times out of number people should take up the cudgels on their behalf. We have been providing schools and many other facilities for them, and a time may come when some of the Members may get up and say that we must also provide them with clothing and many other things. Here I may say in passing that some of the labourers are getting insolent. As I said, I am not connected in any way with tea gardens, except that I drink a lot of tea. I think it is not right for a Member to bring up a proposition of this kind here before consulting the Government of that province or the people of that place.

**Rai G. C. Nag Bahadur:** Sir, I rise to correct the wrong impression that has been created by the remarks of my Honourable friend, Mr. Barua. I served many years in Assam and had a good deal to do with the inspection of tea gardens, and I am familiar with the conditions of tea garden labour in that province. Mr. Barua tells the House that rice is supplied to coolies at the rate of Rs. 3 per maund when rice sells at Rs. 7 in the market, but this was when the coolies, men and women, were recruited under Act VI of 1901 to work at Rs. 4-8 and Rs. 4, respectively. Now that system of recruitment is abolished, and the planters are under no obligation to supply cheap rice now. As a matter of fact, I know that the coolies are left to buy their own rice in the ordinary market at the market rate like all other people.

Then, Sir, as regards the causes of the Chandpur coolie strike, I may tell the House that the Bishop of Assam, who was on the spot to look after the comforts of the stranded coolies and who worked so hard for them, is of the opinion that the strike was due mainly to economic causes rather than to the preaching of the non-co-operators. (Hear, hear.)

Then, Sir, there is another point I might mention to the House. The Assam-Bengal Railway is run at a loss of Rs. 35 lakhs a year, and yet that Railway gives concession to the planters for the conveyance of labourers to Assam tea gardens. But when the coolies were stranded at Chandpur, that Railway failed to render any help whatever to these coolies. It is to be regretted that on the Assam Labour Board the coolies have no representative at all, so as to look after their interests. That Board exists to facilitate the recruitment of labour from the recruiting districts of Bengal and other Provinces to Assam. With these few remarks I support this amendment.

**The Honourable Mr. C. A. Innes:** Sir, I desire first to answer Mr. Neogy's specific questions. The constitution of the Assam Labour Board is fixed by Statute. It is fixed by section 116 (*a*) of the Assam Labour Act and this section prescribes that the Assam Labour Board shall be composed of eight representatives of the Indian Tea Association, Calcutta, four of the Assam Branch of the Indian Tea Association, three of the Surma Valley Indian Tea Association and one member who is, I think, a representative of the Government. The functions of this Board are not concerned in any way with the actual recruitment. That is done by an entirely different body called the Tea Districts Labour Association. The functions of the Board are purely to supervise the actual methods of recruitment to see that no abuses go on, and whether or not the House approves of the constitution of the Board as it is at present, there can be no doubt that the action of the Board has been most beneficent. We hear a great deal in this House and elsewhere about the conditions of labour in the tea gardens, but I venture to say that there is very little complaint anywhere of the actual methods of recruitment The Government appoint the Chairman of the Board simply because it is our business to see that we have a watch dog on that Board to see that the Committee discharges its functions properly. That is the reason why the Government contributes half the salary of the Chairman. The principle of having the rest of the Board constituted by the representatives of the Tea Association is that it is to their interest to see that no abuses go on in recruitment. The tea planters, the Tea Association do not like abuses more than any one else. Mr. Neogy then stated that this Government had changed its character, that this Government had no sympathy at all with labour and that all its sympathies lay with the capitalists. Well, Sir, I deny that charge. I do not think that it is a charge that can fairly be brought against a Government which only in January last passed through this Legislature a revision of the Indian Factories Act, and which is now in correspondence with Local Governments in regard to a Bill for the registration of trade unions and in regard to a Bill for compensation for workmen. I think the House will realise that that charge made by Mr. Neogy against the Department over which I preside was an unfair charge.

Mr. Neogy then went on to refer to certain enticement rules. Sir, the explanation of these rules is as follows. Labour for the Assam tea gardens has to be imported from very long distances. The system of recruitment which is now in force is a system of recruiting, as far as possible, whole families. They do not like to recruit single men but they like to take whole families with their relatives. Before these people are recruited, their debts are paid off in the village. They are taken over long distances by river, rail and road to Assam, and they also give bonuses. I do not know what the actual cost of a labourer on arrival in the garden is, but it is very heavy. It was common experience for gardens to find that no sooner had they imported their labour at a very great expense than that labour was attracted

off to some other estate. That is what is known in common parlance as crimping. Some years ago it was proposed that the Government of India should legislate to prevent this kind of enticement. They refused to do so. It was a matter for the tea gardens to remedy for themselves. The tea gardens have done so by means of these rules and I myself think it is essentially a matter for the gardens to deal with themselves.

Now, Sir, I come to the question raised by Mr. Joshi as regards the conditions of labour in Assam itself. I must premise my remarks by pointing out that here we are trenching upon a provincial function. Under the Devolution Rules, the welfare of labour is purely a provincial subject and under our constitution it is a matter that has to be dealt with by the Local Government.

**Mr. N. M. Joshi:** What about legislation ?

**The Honourable Mr. C. A. Innes:** We legislate for recruitment but not regarding the actual treatment of the labourers in a province. It is admitted on all sides that the wages of the labourers in Assam have not risen in the past two or three years in correspondence with the rise in the cost of living, and it is for that very reason that the Assam Government have appointed a committee to go into the whole matter. Mr. Joshi complains that the committee was not appointed by the Government of India. The Government of India is naturally required to observe the constitution under which we all work, and the Government of India could not have appointed that committee under the constitution and it therefore had to leave the matter to the Local Government. The Local Government have done their best, I think, to appoint a committee on which all interests are fairly represented. Four Indian gentlemen, I understand, have been appointed on that committee and there are four European gentlemen and a Chairman. This committee at the present time is engaged in making the most searching inquiry into the conditions of life on the tea gardens, and I do not think that it will become this House, when that inquiry is proceeding to make any pronouncement upon the subject. Mr. Rhodes has anticipated a good deal of what I had intended to say on this subject. I would like to point out that migration to the Assam gardens is family migration. I have here the latest statistics of the average wages on these gardens and they work out of something like Rs. 16 a month for a man, woman and child. Now I ask Mr. Joshi if he is acquainted with the conditions of agricultural labour in different parts of India.

**Mr. N. M. Joshi:** Yes.

**The Honourable Mr. C. A. Innes:** Let me give some of my personal experiences. I spent many years of my life in the Malabar District. I joined that district as an Assistant Settlement Officer and it was my duty, as an Assistant Settlement Officer, to go into the nooks and corners of the remotest villages of the district in order to settle land revenue. I was usually accompanied by a Menon, a man who corresponds to the patwari, and a Nair who corresponds to a chaprasi. I used to go frequently walking along some hill side and suddenly the Menon in front of me, who is a high caste man, would give a sort of indescribable grunt which I can only compare to the bell of a sambur. Suddenly I would look up and see a group of poorly clad creatures scrambling up the hill side or tumbling down through the bushes into the paddy fields. These are the agricultural labourers of the district, keeping their caste distance away from the high caste Menon. Their caste distance is 65 feet.

**Rao Bahadur T. Rangachariar:** All that is disappearing.

**The Honourable Mr. C. A. Innes:** Not at all. I will guarantee that Mr. Rangachariar now will go down to the town of Palghat, he will come to certain cross roads. As he goes through these cross roads his ears will be assailed by the stentorian voices of certain miserable creatures 125 feet out in the paddy fields. These are Nayadis keeping their caste pollution distance of the high caste Brahmins and high-caste Nayars. In other parts of India it is much the same, though it may not be as bad. Now, miserable families of this kind in other parts of India have a chance of having their debts paid for them and being taken over to Assam. Their conditions of life actually on the tea gardens may not be ideal—I do not for a moment pretend that they are otherwise there would not be this inquiry—but they have a promise and a hope of better things. There are many *ex*-tea garden labourers who are now land owners in Assam. They are now small land holders in their own right, and, Sir, I can bring another testimony to the advantage of this system. There is no compulsion on these people to go to Assam ; one can see that from the statistics of migration there, migration varies entirely with the character of the Season ; and when, Sir, I was Foodstuffs Commissioner in 1919,

doing my best to feed India, it was a great comfort to me to know that two hundred thousand of the people from Bihar and Orissa, the Central Provinces and the United Provinces had been able to go to Assam and get a living there.

Mr. Joshi has asked me what has happened to the proposals for revision of the Workmen's Breach of Contract Act. I am afraid, Sir, I cannot answer. That is a matter for the Home Department, and I see that Sir William Vincent is not here. Mr. Joshi has also asked why the Assam Act is still in force. We have suspended all the penal provisions of the Act, as no coolies are actually recruited under the Act, but we retain the Act because it enables us to supervise the work of recruitment there by the Assam Labour Board.

I hope, Sir, in view of this explanation, that the House will not accept this motion.

**Khan Bahadur Maulvi Amjad Ali** (Assam : Muhammadan) : Sir, with regard to Assam labour, I am specially interested in this matter. Of course, Assam labour needs some improvement no doubt, and that matter has engaged the attention of the Local Government already. The Local Government has appointed a committee consisting of some District officers and some Members of the local Council ; they have been going round and collecting all sorts of information, recording evidence, and also asking people who are supposed to be able to give some information in that connection ; so that the Local Government is not sleeping over that question. The Local Government is quite alive to the duty that is imposed on them, and I do not think that the Central Government is now required to do anything in that connection. My friend, Mr. Joshi, has said something which needs a reply. He says that the exodus of coolies from the tea gardens of Sylhet was due to economic distress. Well, my friend, Mr. Joshi, is not at all aware what led to the exodus. It was not the economic distress, but it was the agitation that was going on at full swing in the neighbourhoods of these tea gardens, and the result was that large numbers of coolies left the gardens and came out to see Mahatma Gandhi (Laughter). When this terrible news reached the District officers, they hurried to the different places thus affected to meet these coolies and to see whether they could do something in that connection.

Now, the District Officer, who is a member of the Indian Civil Service met a woman almost naked—it will appear just now why she came out naked He offered her a piece of cloth and some rice. She told him to take away the cloth and rice. She said, 'I refused Sahib's work in the garden, and am I to take now charity from your hand ? You are a Sahib and I refuse to take anything from your hands. But if something comes from the hands of Mahatma Gandhi I shall take it.' Now, when such an answer could be given by a mere coolie woman, can it be said that the exodus was due to economic distress ? No. The leaving of the gardens was a pre-concerted movement. Agitators were preaching close to the different gardens, and the coolies heard that Mahatma Gandhi was doing this and doing that, to better their condition and that if anybody wanted salvation, either in this life or the next, he must become a disciple of Mahatma Gandhi. That preaching excited the people, with the result that there was a tremendous coolie exodus. The agitation was spread all over the country. The coolies left the gardens and they refused to take any help from the Government ; they began to starve ; and it was only when the pangs of hunger had become very acute that some times they accepted food and drink from Government sources. This went on for some time, and then a very serious false charge was brought against the Government, namely, that a large number of coolies had been put to death by the Government at the Chandpur railway station. This led to the strike on the Assam Bengal Railway, which extended all over the province. It was proved to demonstration there that no coolies were put to death by the Government. The fact was that owing to the outbreak of an infectious disease among them at the railway station, in the interests of the large population around, it was decided to remove them. But under the instigation of agitators they refused to leave the railway platform, and the Government was therefore compelled to use some force. All that was intended was to remove them from the platform to another place a little distance away. But the leaders of agitation raised a hue and cry that a large number of coolies had been put to death by being thrown into the Ganges. And it was due primarily to this false allegation, that the strike on the Assam Bengal Railway occurred, which lasted for three or four months. You may judge now whether these coolies left the tea gardens on account of economic distress or on account of political agitation. Therefore, without knowing the full facts in this connection, without knowing the actual state of

things, it is not reasonable to ask this House to pass what will practically be a vote of censure on the Government. I oppose the motion.

**Mr. R. A. Spence:** Sir, I move that the question be now put.

**Mr. President:** The question is:

'That the demand under head 'Emigration—Internal' be reduced by Rs. 6,750.'

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 1,12,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for 'Emigration—Internal'.'

The motion was adopted.

EMIGRATION—EXTERNAL.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 22,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for 'Emigration—External'.'

**Dr. Nand Lal:** Sir, I beg to move:

'That the demand under head 'Emigration—External' be reduced by Rs. 1,550.'

Sir, speaking for myself and for those who hold the same view as I do, I am very glad to say that I very sincerely recognise what the Government of India has very kindly done in this direction, and I hope and trust that the Government of India will kindly maintain and extend the protecting hand to Indian emigrants; at the same time I offer a suggestion to the Government of India that they will not feel frightened by the agitation of the agitators abroad. (Hear, hear.) I further trust that the Government of India shall do more than what they have already done. While sincerely congratulating the Government of India on what, as I have already submitted, has been done by them, I feel bound to say that in view of the present condition of the finances of this country and the amount of money demanded under this head, the motion regarding the retrenchment deserves to be accepted. With these few words I submit this amendment before the House.

**The Honourable Mr. B. N. Sarma:** Sir, I am sure that my friend, Dr. Nand Lal, has moved this Resolution again under a misapprehension. Of the total expenditure amounting to Rs. 22,000, Honourable Members will see that the receipts are Rs. 17,000 as against the voted expenditure of Rs. 16,800, so that practically all the voted expenditure is covered by the receipts and the only real expenditure that is being incurred is in respect of the cost of the Protector of Emigrants, medical inspectors, and other officers, whom we have to employ. I think I must take it that this Resolution was intended for the purpose of showing that the Government of India have not made provision during this year for the enormous work it has on hand in piloting the Emigration programme through the Council and giving effect to the various recommendation of the Emigration Act. We have to appoint Protectors elsewhere. We have to appoint agents; we have to appoint committees; and I therefore think that Dr. Nand Lal could have urged this Resolution as a reason for asking for more. We would have done it ourselves, but unfortunately financial exigencies have prevented us from doing so. I hope that this small provision we have made will not be sought to be curtailed any further.

(At this stage Mr. Deputy President took the Chair.)

**Dr. Nand Lal:** Sir, in view of the explanation given, I beg to withdraw my motion. An assurance has been given that the Government will do more in that direction, and I consequently withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 22,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Emigration—External'.'

The motion was adopted.

JOINT STOCK COMPANIES.

**Mr. Deputy President;** The question is:

'That a sum not exceeding Rs. 1,11,000 be granted to the Governor Governor in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, for 'Joint Stock Companies'.'

**Rao Bahadur T. Rangachariar :** I beg to move :

'That the demand under head 'Joint Stock Companies' be reduced by Rs. 6,350.'

**The Honourable Mr. C. A. Innes :** Sir, seeing that I just presented the Democratic Party with a good deal more than 5 per cent. on the Industries Department, I think they might have let me off this motion for reduction on Joint Stock Companies. In the first place, the sum at stake is extraordinarily small ; in the second place, I defy anybody in this House to say that there is any extravagance at all in our administration of the Companies Act. Our Registrars are statutory officers and we must have them under the Indian Companies Act, and we get them in the cheapest possible way by coupling up these appointments in most Provinces with other appointments. In the Receipts side of the Budget there is a mistake. The actual receipts which we estimated for this year . . . .

**Rao Bahadur T. Rangachariar :** I withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. R. A. Spence:** I would like to ask the Honourable Member for Commerce and Industries about just one point. The Registrar of Joint Stock Companies is, I see, a revenue producing item, and I see that the Province of Bombay has a separate sum of Rs. 38,000 for expenses, and recovered in fees Rs. 75,000. I see that Madras spent Rs. 34,100, and recovered Rs. 27,000 ; but I see that in Bengal Rs. 31,000 was spent and only Rs. 2,000 was received. Sir, may I ask why they were so unsuccessful in Calcutta?

**Rao Bahadur T. Rangachariar:** Because Bombay is so rich.

**The Honourable Mr. C. A. Innes:** I was myself attracted with that rather extraordinary entry in the receipts side and I sent it yesterday to the Finance Department to have it verified. I found, as I suspected, a mistake had been made. The receipts in Bengal are estimated at one lakh of rupees.

**Mr. Deputy President:** The question is :

'That a sum not exceeding Rs. 1,11,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Joint Stock Companies'.'

The motion was adopted.

MISCELLANEOUS DEPARTMENTS.

**Mr. Deputy President:** The question is :

'That a sum not exceeding Rs. 12,59,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Miscellaneous Departments'.'

**Rao Bahadur T. Rangachariar:** Sir, I beg to move :

'That the provision of Rs. 36,200 'one Chief Controller under sub-head 'Indian Stores Department' be reduced by Rs. 6,200.'

My object in moving this motion, Sir, I may frankly say, is that the salaries for this appointment and the other appointments which are referred to in the later motions of mine are fixed on a scale suited to a European rather than to an Indian. I do think, Sir, that Indians can be had and ought to be had—may I add with the approval of my friends behind me and in front of me—at a cheaper rate. If the country is to secure financial solvency, our countrymen ought to be ready to take up jobs at a lesser cost than the Europeans ; otherwise there is no meaning in our cry for the Indianisation of the services. I am therefore sorry, Sir, that members of the Indian Service, especially of the Imperial Service, have been agitating for equal pay, for equal rank and for equal allowances including technical allowances along with Europeans. That has been one obstacle in the way of the argument for the Indianisation of the services. I am strongly against it and I hope the friends of my Party will also join me in that proposition. Therefore, Sir, I want this pay to be fixed on an Indian basis. It has now been fixed to suit a European. I have reduced it very modestly indeed, having regard to the nature of duties to be performed by this important department on which we have to rely for Indianisation of the supplies. And, if we want the Indianisation of the service, we also want the Indianisation of the supplies, of men, munitions and money. In fact, everything should be Indian. From that point of view, therefore, I have not reduced it very much, as Honourable Members will notice. But if really it is necessary that a European officer should be employed because no competent Indian is available, then in that circumstance only I will tolerate this scale of pay. But in a new department which is going to be created, indeed I will tolerate the employment of a European only when there is no

suitable Indian available. Having regard to the nature of the duties to be performed I have not reduced the pay as much as I myself should have wished. I want to attract the best Indian. But I do think the best Indian can be had for this job on the terms I have proposed. I therefore, Sir, move that the demand be reduced.

**Mr. C. W. Rhodes :** Sir, I feel a little uneasy in standing beside the Democratic Party in this matter. I shall begin to think that they are really becoming democratic. But I am going a good deal further than Mr. Rangachariar in my suggestion of reduction. The Bengal Chamber of Commerce have been continuously opposed to the formation of this expensive and unwieldy department. In January last at the meeting of the Associated Chambers of Commerce, the Honourable the Commerce Member and myself spent an hour and a half on what I might describe as a friendly acrimonious controversy on the subject but I do not propose to spend as long this afternoon. I called it then an unwieldy octopus because we in Bengal really think that it is.

We have had, during the war, our experience of these large unwieldy purchasing bodies, and it is an experience we do not wish to repeat. This huge buying monopoly cannot work in the interests of industry. It can only deal with big combines. If a Government officer wants a packet of nails in a country village, I presume he is going to indent on Simla for it. And what chances have small merchants and small manufacturers of dealing with the largest buyer in the country if the whole of the buying in the country is to be in the hands of one man? I do not care whether he is English or Indian, my objections are just as strong.

We also discussed this question, Sir, in the Assembly at Simla in connection with a motion moved by my Honourable friend, Sir Vithaldas Thackersey, and we strongly objected there to the large number of orders that were being placed in England with the High Commissioner. (Hear, hear.) Now, these contemplated Stores Rules will perpetuate that and will continue what I regard and what my Chamber regard as a very pernicious practice, namely, that of buying stores which cannot be bought in the country, in London, instead of through the importer. A large Government Department the other day asked us in Calcutta what stocks we held in India of a certain article, their idea being, as they candidly expressed it, to save interest, and in times of emergency they would be able to commandeer, if necessary. Now, Sir, what stocks are going to be held in India if the Government put all their indents for imported goods through the High Commissioner in London. (Hear, hear.)

Then, Sir, I have another objection. I object to this Storekeeper being in Simla. There cannot be the same objections to his being in Delhi because we found out during the war that, where we have these large buying departments, we want plenty of open space for dumps, for things that have been ordered, if when they arrive people have forgotten why they have been ordered. There will be plenty of room round this city for those dumps.

Speaking on behalf of the commercial and industrial community of Bengal, I ask the Government to pause and reconsider, especially in this year of financial stringency, the question of the creation of this large, unwieldy and, as we think, very uneconomical department.

**Mr. R. A. Spence :** Sir, I support Mr. Rhodes in what he has just said.

**The Honourable Mr. C. A. Innes :** Sir, I understood that we were dealing with a motion to reduce the pay of the Chief Controller of Stores. Mr. Rhodes has taken the opportunity of raising the whole question of the Stores policy and of the policy of having an Indian Stores Department. I was glad to see that Mr. Rhodes was careful to say that he was speaking on behalf of the industrial and commercial community of Bengal. It is a fact that at the meeting of the Associated Chambers of Commerce in Calcutta in January last, Mr. Rhodes and I did have a long argument and controversy as regards the formation of this Indian Stores Department.

Sir, as the result of that debate I may say that the Resolution was withdrawn by the Associated Chambers of Commerce. I recognise, of course, Sir, that it was a very serious thing to find myself in opposition, on a question like this, to the President of the Bengal Chamber of Commerce; but, Sir, I think that I can claim even greater authority for central purchase. We have heard a good deal lately about the Geddes Committee, and it interests me to find that we have anticipated in this matter the recommendations of the Geddes Committee. The Geddes Committee recommend, I understand, for the Army and Navy and Air Forces, a system of central purchase. That is precisely what we propose in India. Finally, Sir, I may just make one more

point against Mr. Rhodes. As I understand Mr. Rhodes, his argument is: 'Oh! don't go and start this Indian Stores Department. That is not the way to encourage the development of industries. Leave it to the importers.' We have had these importers in Madras, Bengal and Bombay for many years past, and I do not think we have anything to boast about in the matter of industries fomented by them.

Now, Sir, I turn to Mr. Rangachariar's amendment and I may say, Sir, that I attach the very greatest importance to this amendment, for it would be a very serious thing to me if this proposal is carried. Everybody in this House knows why we are trying to set up this Indian Stores Department. It was first proposed by the Indian Industrial Commission. They pointed out that the very best thing that any Government could do for the encouragement of its industries was to purchase in the country itself as much of the supplies required for the public service as possible. Now what is our difficulty at present? Our difficulty is this. We have numerous Departments, isolated departments and purchasing officers scattered all about the country. In the first place, they lack knowledge of what India can produce outside their own spheres. That is the first thing we want. We want intelligence—a proper system of co-ordinated intelligence. The next point is that individual Departments and consumers find it fatally easy to procure everything they want through the Indian Stores Department in London. In the Indian Stores Department in London you have a very complex organisation equipped in every possible way, with purchasing officers, inspecting officers, consulting engineers and the like. If they buy through that London Stores Department, they can depend upon the reliability of the articles they buy. They cannot in India, or they could not until recently. Therefore the next important thing to the Indian Stores Department is proper arrangements for inspection. Now Sir Deva Prasad Sarvadhikary in the course of a speech the other day said: 'What was the good of having an Indian Stores Department, we never purchase anything in the country at all.' Our Inspectors at Jamshedpur are now inspecting and passing 100,000 tons of steel rails and fish plates every year.

At our test house at Alipore they are conducting tests at the present time against contracts amounting to Rs. 366 lakhs as against contracts amounting to Rs. 16 lakhs five years ago. So we have already begun on the inspection side and that as I have explained is an extremely important side, because unless consumers and purchasers can rely upon the reliability of their goods they will not buy in this country. I will give you an instance of that. The other day an important corporation wrote to us and told us that they were prepared to place orders for Rs. 10 lakhs worth of cast iron pipes in this country if we could guarantee inspection. Finally there is the question of purchase. It is an elementary principle that bulk purchase is cheaper than individual purchases. At present you have these isolated departments, all over the country buying possibly in competition with one another. We propose slowly and gradually to take that purchase into our own hands. We get the benefit of the bulk purchase; and we get one other very important benefit, namely, that of standardisation. Where you have a lot of isolated departments and consumers they are apt to go in for their own specifications, their own patterns. By insisting that all indents on the Stores Department should go through our central office for scrutiny, in the first place we are able to strike out those things which could be bought in this country and in the second place we could and we do advise alterations in the specifications which bring those specifications into accord with trade patterns. That enables us to place bulk orders and get the articles very much cheaper. Now, Sir, our proposals are as follows: We have already under the Chief Controller of Stores taken over the Metallurgical Inspectorate at Jamshedpur; we have taken over the Test House at Alipore and we propose to expand that Test House at once. We have also got organised at the present moment a Textile Purchase Branch; here again, I wish Sir Deva Prasad Sarvadhikary were here because last year we purchased for the Army through the central organisation Rs. 130 lakhs worth of textiles and we have proved that we have effected very great economy in that way. I quite see the danger to which Mr. Rhodes has drawn attention. It is the danger that the department may grow too fast and too large. But we propose to move slowly and cautiously. We have our textile branch in existence; we want to set up other branches, one after the other as we feel our way. We shall probably have a branch for the purchase of cement, we shall probably have a branch for the purchase of leather; similarly we wish to take up oils and paints and so on till we come to engineering stores, each branch self-contained with its own inspectors and its own purchasing officers. Whatever the department may cost, we hope to save that cost many times over by economical purchase and we propose to charge fees to departments and bodies

who buy through us. Now, I think the House will realise that I am taking a very serious responsibility when I try to build up an organisation of this kind. I have been warned that possibilities of corruption in a department like this are very great; and I am sure that the House will realise that we have got to proceed slowly and cautiously and select our officers to the best advantage. Moreover purchase of this kind is a very expert matter; and I am perfectly sure that I will have the House behind me when I say that for the head of this new department, the head of a very large and big and important department I must have the best possible man. Now I have been accused of paying too much for the man I have got. I ask Mr. Rhodes whether assuming that we build up an organisation such as I have described a pay of Rs. 3,000 is too large. (*Mr. Rangachariar:* 'Rs. 3,000—3,500.') Mr. Rhodes is certainly aware that if we tried to get a business man for it we shall probably have to pay him Rs. 10,000. What did I do? In the first place, I read the Stores Purchase Committee's Report very carefully. It said that for this business you require in the first place organising ability, in the second place administrative ability and in the third place experience in purchase. They suggest that the sort of experience required was that of an Agent of a Railway or a Chief Engineer. Now, Sir, to get a man of that kind is a matter, as any one would see, of very extreme difficulty.

I went to Sir Sydney Crookshank and asked him if he could give me his Chief Engineer. I went to Colonel Waghorn and asked him if he could indicate to me an Agent. After making inquiries, on the advice of Sir Sydney Crookshank I pitched upon our new Chief Controller of Stores. He was very carefully selected, and I hope the House will bear with me when I read out what experience he has had. He was for ten years running one of the largest firms of electrical engineers in England. While in the contracts department, it was part of his duty to purchase large quantities of all kinds of engineering stores. He then joined the Public Works Department. He was sent to Mesopotamia as Assistant Director of Works. He was responsible for the organization and administration of the electrical and mechanical section which dealt with water supplies, electrical installations and the like. He was then promoted to be Deputy Director of Works with the rank of Colonel. He purchased all the stores and material required amounting to many crores of rupees. He had under his control 83 British officers and 15,000 men. He was awarded the decoration of D.S.O. and C.B.E. From Mesopotamia he went to Afghanistan and organized the personnel required for the electrical and mechanical section. And, Sir, when I made him my offer, he was in negotiation with a very large firm who had made him a more advantageous offer. Therefore, I think the House will realise that in offering him Rs. 3,000 I was not offering him any more pay than was required and I do hope that the House will realise that it would not be right for the Members to ask me to assume the responsibility of building up a big organization like this unless they are prepared to allow me to take on the class of officer I require, and to pay that officer the salary he requires. This is the most important thing that the Industries Department is doing at the present time, namely, the organization of this stores department, and I do feel that the House ought to place trust in the officer who is responsible for it and not try to put that officer in a very difficult position by refusing him with that provision for the staff which he requires, by refusing to allow him to pay his chief organising officer the amount of salary which he thinks necessary. I should explain to the House that I have been through this matter with the Standing Finance Committee, and the Standing Finance Committee have accepted my proposal. I should also like to take this opportunity of explaining to the House that I am reducing the demand under the head 'the Indian Stores department' and cutting it down by half. I am reducing the figure to . . . .

**Rao Bahadur T. Rangachariar:** That does not affect this question.

**The Honourable Mr. C. A. Innes:** I am reducing it to half on that understanding that no other appointments will be made without the previous sanction of the Standing Finance Committee. I am quite sure that the Democratic Party on this matter will take the advice of Sir Vithaldas Thackersey, and that he will tell them that in offering the pay of Rs. 3,000 for a responsible position of this kind, I am not offering a pay which is any way too much. The only result of opposing this vote will be that the highly expert, skilled officer whom I have secured will throw up at once the job—he has got it on a two years' agreement—and the whole of the organization of the department will be impeded, hampered and thrown back. In fact, I shall have to consider very carefully whether I should dare to try to organize a department if I cannot pay the Chief Controller of Stores that amount of salary which I think is necessary.

**Rao Bahadur T. Rangachariar:** Before you sit down, Sir, may I ask what would you consider a fair salary for an Indian *plus* overseas allowance?

**The Honourable Mr. C. A. Innes:** It is only a two years' appointment. He will hold the appointment only for two years to organize the department.

**Rao Bahadur T. Rangachariar:** He won't continue it after two years?

**The Honourable Mr. C. A. Innes:** I shall be prepared to refer the question to the Standing Finance Committee. It will come before the Standing Finance Committee.

**Rao Bahadur T. Rangachariar:** Won't you say that the man has already been appointed and has held charge of the post for two years and so on?

**The Honourable Mr. C. A. Innes:** If the present incumbent justifies his position, I am sure the House will not turn him out of office, but if there is any other appointment to be made at that time, I shall be quite prepared to place the matter before the Standing Finance Committee in order that the permanent pay of the post may be fixed. But this is just a two years' appointment for the organization of the department, and I do think that the House ought to have trust in me and not hamper me in trying to organize this very important department.

**Sir Vithaldas D. Thackersey** (Bombay Millowners' Association: Indian Commerce): I did not quite understand what my Honourable friend, Mr. Rhodes, meant when he said that he did not want a huge or a small Stores Purchasing Department. If stores are to be purchased in India, we must have a department. His idea, as I understand it, is that as much as possible of the stores required for Government purposes should be bought in India through the merchants or agencies of the foreign firms. Apart from the question whether that policy is right or wrong,—I may say I am greatly in sympathy with that policy,—still if you have to buy stores in India, you must have a Stores department. Then the question arises whether you want an efficient Stores department in which you have ample confidence or a small Stores department to purchase stores. I think that the department which we expect to grow and grow very largely according to the recommendations of the Stores Purchase Committee must be efficient and must be managed absolutely on businesslike lines. The inducement in that department is very great, and the salary that I would recommend to be fixed for the head of that department would be much higher, owing to his heavy responsibility, than otherwise. The man should be above inducement and it would be wrong to economise in this Stores Purchase Department, provided, of course, you select the right sort of man, and the right sort of man in these days—those who have got any experience of finding technical men—is expensive and difficult to find. I entirely agree with my Honourable friend, Mr. Rangachariar, when he said that we must try to find suitable Indians to be employed in the Stores Department. The proposal he has made to fix the permanent salary of the office on the basis of the Indian rate *plus* an overseas allowance—a large overseas allowance if you please if an European is appointed—is a policy which I would favour. While in agreement with Mr. Rangachariar on these points, we have to consider the position as it stands to-day. We have thrown the responsibility of creating a suitable department on the Honourable Member in charge. If this House wanted any particular salaries to be fixed, it was the duty of the House to have taken up the matter beforehand and fixed the schedule. (*Mr. Rangachariar:* 'We had no opportunity'.) (*Mr. Joshi*: 'This is the first time'.) I quite agree, this is the first time the matter comes before us. I do not know whether there is any rule by which when any appointment is made by Government the schedule should be passed by this House. It is not the fault of the Department if under the powers the Honourable Member has and which powers have not been withdrawn, he takes upon himself the appointment of officers at his own discretion. It may be easy to say, you may give Rs. 5,000 or 3,000. It may be easy for any criticiser to say, reduce the salary by Rs. 500, or 1,000 or 1,500. But there must be a responsibility, and if the House is willing to take that responsibility on itself, it should adopt the policy followed in the case of municipalities where a schedule is prepared beforehand and the commissioner is asked to appoint officers within that schedule. In that case there will be no objection. But at this stage to say reduce this man's salary by Rs. 500 or that man's salary by Rs. 500, is, I maintain, not fair to the Honourable Member in charge. I am putting this on practical grounds.

I think I would recommend our friend not to press this motion. Whatever rules you want to frame, the House may consider. The Member in charge has told us that he has obtained the sanction of the Standing Finance Committee.

**The Honourable Mr. C. A. Innes:** For new appointments.

**Sir Vithaldas D. Thackersey:** This new appointment has been approved by the Standing Finance Committee. So far the Member in charge is relieved of the responsibility. After the agreement of the present incumbent expires, any Member of this House can bring forward a motion. I hope, therefore, the motion will not be pressed.

**Mr. Deputy President:** The question is :

'That the provision of Rs. 36,200 for one Chief Controller under sub-head 'Indian Stores Department' be reduced by Rs. 6,200.'

**Mr. J. N. Mukherjee:** Sir, I wish to bring forward formally before this House a point as regards the receipts under this head. I tried to understand . . . .

**Mr. Deputy President:** Order, order. If the Honourable Member has given notice of a motion it will come in its proper place.

**Mr. N. M. Joshi:** Sir, as a member of the Standing Finance Committee it is my duty to explain how the matter stands as regards that Committee. When the matter was brought before that Committee, the gentleman who has been appointed as the Director of Purchases was already appointed. The gentleman had already taken charge. I protested against that appointment as I felt that a suitable Indian could be found for the post at least for that pay. I also asked whether the appointment was advertised, so that Indians and other candidates could get a chance of competing with this gentleman for this post. I was told it was not advertised. But when the matter was discussed and when the Finance Committee found that the gentleman was already appointed, we waived our right of disturbing this arrangement at that stage on the promise that as far as possible the Department would try to advertise the appointments whenever new appointments were to be made and thus give a chance for others to compete along with those whom they know. This is the position as regards the Standing Finance Committee in this matter.

**Mr. Manmohandas Ramji:** I do not agree with the remarks that have fallen from the Honourable Mr. Rhodes. He took advantage rather of the motion and brought in a new subject condemning the department that has to be created on the ground that it will be a very big department and that there will be great difficulty in purchasing small stores in different places and therefore the easiest way was to allow it to be purchased by local agencies. If we accept that principle, where do we stand? We authorise the purchase of these stores in small places and there will be no central purchasing department. I think that is a proposition that cannot be made very conscientiously. I think that in every big purchasing department the principle ought to be that the purchases should be made in a bulk, and when you are buying in bulk, then there is every chance of getting things cheap, and that is what we want. Then there is another point. How is the small stores purchaser to know whether the article is locally manufactured or not? Therefore a greater difficulty arises. It is in a Central body, a man who has actually studied the subject can know what things are produced in the country and where should he buy it from . . . .

**Mr. Deputy President:** Order, order. May I draw the attention of the Honourable Member to the fact that we are now discussing the provision of Rs. 36,200 for the post of Chief Controller, and not the question of purchases of stores.

**Mr. Manmohandas Ramji:** I am just meeting the argument advanced by my Honourable friend, Mr. Rhodes. If he was allowed to speak, I am entitled to speak and say what I should like to say. Therefore, I say that the argument advanced by Mr. Rhodes is not sufficient to condemn this Department.

**Rao Bahadur C. S. Subrahmanayam:** Sir, the only point which Mr. Rangachariar wanted to raise was this. It is a new office just created. A new office is created, and his demand, and everyone's desire is, that as a new office is created, we should know something about the new office and, except where it is absolutely necessary, the salary of such new officers should be on the principle of what may be termed the 'Indian standard,'—the standard which would suit a really competent man who is an Indian. We are all

agreed that, for equal competency, an Englishman must be paid more than an Indian. It is no use saying that for doing the same work,—the old shibboleth—that for doing the same work of the same character, an Indian should be paid the same as a European, because that formula will cut at the root of our desire for Indianising the services. It is not that we want the Government to pay more to the Indian, but that the administration should be run on a much lower scale of expenditure. Therefore, on that view when a new appointment was created, it should fairly have been placed before the Standing Finance Committee, to whom we had entrusted many of our functions. That is the point which Mr. Rangachariar wanted to elaborate. The reply of the Honourable Mr. Innes seems to me to be fairly satisfactory. He says: 'I have made the appointment; I have been given the responsibility of selecting and making the appointment and organising this Department. I have made the appointment for two years. Well, I have done it, and at the end of two years, you will be able to alter it.' From what Mr. Joshi says, no doubt the matter came up for *post facto* sanction. Well, it might have been sanctioned, or the discussion might have taken place before the appointment was made. Well, I should not like to be hard, and neither does Mr. Rangachariar want to be hard, in the matter. But I think we will take the assurance of Mr. Innes that this being an appointment for two years, before the end of the two years, we shall have an opportunity to discuss this matter.

**Rao Bahadur T. Rangachariar:** If that is the assurance, Sir, I will not press my motion.

The motion was, by leave of the Assembly, withdrawn.

**Rao Bahadur T. Rangachariar:** With reference to my motion No. 252* on the list, I hope the Honourable Member will remember the Indian always. I will not move it.

**Mr. J. N. Mukherjee:** Sir, the motion that I put . . . .

**Mr. W. M. Hussanally:** Sir, I rise to a point of order. These new motions received from Members, for instance, the motion of my friend, Mr. Mukherjee, have not been printed and circulated to us, and we do not know what they are.

**Mr. Deputy President:** Under the discretion vested in the Chair by the Standing Orders, I will allow Mr. Mukherjee to move his motion.

**Mr. J. N. Mukherjee:** Sir, the motion that I wish to put before the House is:

'That the provision of Rs. 7,67,600 in Demand No. 36, under sub-head 'Other Contingencies', be reduced by a sum of Rs. 2,60,000.'

This sum represents the receipts on account of the Stores Department separately shown on page 107 of the Blue Book. There are other receipts under that head, but inasmuch as I want light to be thrown on this subject, I have picked out only one item. Now my point is that it is very difficult for an outsider to follow the intricacies of the figures presented to us in the Budget, and we should try and get as much additional light thrown on them as possible. Now with regard to the deficit in this year's Budget, that is really a very important matter, because the demand for additional taxation is based upon that deficit. In order to meet the real deficit we have, generally speaking, either to go in for a loan or impose new taxation. This year fresh taxation has been proposed. It is therefore important to know the exact deficieney or deficit in the Budget. I find in the Budget at page 10 that certain deductions are recorded on account of the 'Cost of Alipur Test House and Metallurgical Inspector and Staff'; and an addition is made of the 'Share of cost of Surplus Stores Organisation officers.' We are not shown the actuals as the current financial year is not out as yet, but the revised figures, that is to say, we cannot explain the omission of the Receipts at the bottom of page 107, by saying that these are not the actual receipts, but only expected receipts still to be realised during the ensuing year. My submission to the House is that both the receipts at page 10 deducted from the expenditure, as well as the receipts at the bottom of page 107 not deducted are in the same category, and it cannot be said that they are on different planes of existence. I have picked out a particular item for the purpose of illustrating my point. At page 66, the House will see, that the same process has been adopted.

Then, again, certain recoveries are noted and deducted from the expenditure, but the explanation of the Honourable Member in charge was that these recoveries relate to items which have not been actually recovered so far. There

*'That the provision of Rs. 27,000 for one Chief Inspector of Stores under sub-head 'Indian Stores Department' be reduced by Rs. 9,000'.

are several items there of this nature, and we find that Rs. 2 lakhs has been put down as recovery under head 'maps, and instruments, supplied to other departments,' and the amount has been deducted from the total expenditure. There are other figures, to which I drew the attention of the House, where a similar method has been adopted. Now, looking at the financial statement of the Honourable the Finance Member, we find that he simply mentions the total deficit of a certain sum without placing any figures before us which may enable us to arrive at the approximate figure of expenditure which we can expect to incur in course of the next financial year, after all deductions on account of recoveries and so forth have been made.

Unless a clear and uniform system is adopted, it is very difficult for an outsider especially a man who is not an accountant, to follow the Budget statement; and the Budget, I may say, is meant for that class of uninitiated men. It is difficult to say whether the figures which have been separately put down as receipts under the different demands have been taken into account in the abstract statement of accounts, presented to the House. There the totals only under the different heads of receipts and expenditure have been put down; and it is very difficult to find out from those abstract figures whether the deficit shown in the Budget has been calculated by reference to these receipts and after deducting them from the appropriate heads of expenditure. All this may come to crores. There are many other similar items which have been left out, and thereby the total figure of expenditure has been exaggerated in the Budget, if I may use that expression. As the Honourable the Finance Member said, the matter is simply a matter of accounting. But nevertheless it is of very great importance to an outsider. We expect that the figures should afford some help to an outsider in finding out the true state of affairs, and unless the object of the Budget is to place . . . .

**Mr. Deputy President:** Order, order. I am afraid I must call the attention of the Honourable Member to the assurance given by the Honourable the Finance Member yesterday that if there is any point which Members would like to be brought to his notice, he would be able to give his attention to it.

**Mr. J. N. Mukherjee:** With that assurance, I do not wish to press my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. N. M. Joshi:** Sir, there was an offer made by the Honourable Member in charge of Commerce that he would cut down the demand for Rs. 7,67,000 by half, and it comes to Rs. 3,83,800. If you have no objection, I will modify my motion to that effect.

**The Honourable Mr. C. A. Innes:** Yes.

**Mr. N. M. Joshi:** My motion is:

'That the demand under sub-head 'Indian Stores Department' be reduced by Rs. 3,83,800.'

As the offer has come from the Government Department itself, I need not say anything in its support.

**The Honourable Mr. C. A. Innes:** I accept that, Sir.

The motion was adopted.

**Rao Bahadur T. Rangachariar:** Sir, I do not know if in the generous mood in which the Honourable Member now is whether he considers that a further sum of Rs. 71,600 too much in a big item like this. That is one-fifth of the total expenditure. (Laughter.)

**Mr. Deputy President:** The question is:

'That a reduced sum not exceeding Rs. 8,75,200 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Miscellaneous Departments'.'

The motion was adopted.

**Mr. Deputy President:** The Assembly will now adjourn till Eleven of the Clock to-morrow.

*Members of the Democratic Party:* Continue, continue.

**The Honourable Dr. T. B. Sapru** (Law Member): I desire to inform you that His Excellency has summoned a meeting of the Executive Council at 6-30, and the Members of the Council have got to be there.

**Dr. H. S. Gour:** Will the Honourable the Finance Member give us another day? Will the Governor General give us another day?

**The Honourable Sir Malcolm Hailey:** I cannot undertake that His Excellency the Governor General will do so, for as the House knows, the date of the Finance Bill has been fixed for Monday next. We are already considerably later to-day than on other days, when we have risen, at the request of the Democratic Party, at 5-30 P.M., but I am prepared to sit for any time that the Members desire.

**Dr. H. S. Gour:** Can an assurance be given us that we can sit at 10-30 to-morrow? We are particularly anxious to have a discussion on the North-West Frontier Province.

**Mr. J. Chaudhuri:** May I suggest that the Honourable the Finance Member should get the permission of His Excellency the Governor General to have the sittings for discussing the Demand for Grants extended to Monday? I think if the matter is mentioned to His Excellency, there will be no objection. We are willing to sit till late this evening.

**The Honourable Sir Malcolm Hailey:** I am prepared to ask His Excellency to postpone the meeting of this evening until the sitting of the House is finished.

## CURRENCY.

**Mr. Deputy President:** The question is :

'That a sum not exceeding Rs. 30,36,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Currency'.'

**Sir Vithaldas D. Thackersey:** I beg to move :

'That the demand under the head 'Currency' be reduced by Rs. 1,50,000.'

I may at once make the point clear that it is not with the intention of passing a vote of censure that I make this motion. It is one of the items of retrenchment. At the same time, I may say that the way in which the Currency Department has managed its affairs during the last four or five years reflects great credit on that Department. The way in which the Department has managed with the decreased resources on occasions is exceedingly creditable.

**The Honourable Sir Malcolm Hailey:** Sir, the members of the Currency Department will, I am sure, deeply appreciate the compliment which has been paid to them by one who is so well versed in the many questions of Indian finance, and has so intimate experience of the difficulties under which that Department has laboured during the last four or five years. (Hear, hear.) I find it, however, a little inconsistent that, even in the cause of retrenchment, Sir Vithaldas Thackersey should seek to reduce the expenditure on that Department.

Now, what are the functions of the Department? Of course, I am not going to discuss here any general question, such as, Exchange or the general problems of Currency. It is necessary to limit myself to the functions of the Department as our agents for managing our note-issue and dealing with our large operations as bankers to the nation. Most Members of this House are acquainted no doubt with the very important functions discharged by the Department in this respect. It has to deal with a note-issue which has grown from about 70 crores a few years ago to 170 crores. If the House would look at the figures which we have given under the head Demands for Grants and compare the growth of expenditure, they will see that there has been no proportionate increase in the size of the Department. We have to keep up a very considerable staff of clerks who are engaged purely in what I may call the mechanical work of the Department. That is to say, they have to deal with the issue and cancellation of notes, the registration of notes, claims for damaged and lost notes. Now, it is exceedingly difficult to reduce the numbers of a staff which is engaged in dealing with this enormous note-issue and whose strength is calculated on a strict formula of work for each man. It is entirely against the interests of the public, entirely against the interests of the very large number of persons who, I am glad to say, use our notes, that there should be any delay in our currency offices in dealing with the question of the issue and cancellation of notes, and so forth. An inadequate staff would mean direct loss to the State because the proper safeguard could not be supplied. A short time ago our Controller of Currency came to us, just as our Auditor General came to us, and asked for considerable extensions in his office. These extensions, he pleaded, were necessary for dealing with the very large increase of work that has fallen on them owing to the increase in our note issue. Well, it is universally agreed that our Currency Department clerks and subordinates are paid on a scale which would certainly admit of no reduction whatever. They are paid less, as

a rule, than the clerks in our Account Offices and they are paid—I know that this statement may be quoted against me—less than many of the establishments of the Local Governments. The Controller of Currency asked us for Rs. 2,13,000, placing that as his minimum. After consulting the Standing Finance Committee, we gave him Rs. 35,000 only. He is still 2 lakhs short of his requirements. So much have we been impressed of the necessity of economy in regard to this Department that we have had also to refuse him entirely any expenditure on new buildings. He has, for instance, in Madras a Currency Office which certainly needs replacement. We have cut that entirely out of our Budget. He has claimed for 5 lakhs of rupees for necessary buildings—buildings, I may say, Sir, which are not necessary for the Department but are necessary entirely in the interests of the public concerned. Even that we have been unable to give him.

Now, let me turn to the higher branches of the Department. The details are given in the Demands for Grants. We have the Controller of Currency. We have Deputy Controllers at the Presidency towns and one Deputy Controller for Northern India. Now, I am certain that every Member of this Assembly, who is interested in commerce or finance, will recognise the value of the work done by our Currency Department in relation to the general banking and financial conditions of the country, and I think that few here would like to see the number of these officers reduced. They are not large in themselves, but it is absolutely necessary in the present state of things that we should keep in the closest touch with financial conditions in the Presidency towns and Northern India. It is necessary, when we are raising large sums of money on floating debt, that we should have close communication and daily information in order to allow us to issue our Treasury Bills to the best advantage both of the public and of the State, and it is necessary, when we are raising large Indian loans, that we should have officers at the principal centres who can deal direct with the financial community which gives us our money. I am certain that Sir Vithaldas Thackersey or any member of the commercial community here will bear me out in my claim that the existence of these officers is entirely necessary to us, and that we should be running a great risk if we left ourselves without that means of close contact with the commercial and financial community. No reduction, therefore, in that small number of officers is, I think, justifiable in the interests of the public or of the State. There is in this Budget none of that large provision for contingencies and the like which is susceptible of heavy reduction. It is, of course reasonable that each Member of Council should defend the Departments which is entrusted to his charge; my case does not rest only on my interest in this Department. The House has already had an independent testimony to its value to the country. I am only going to put to the House this, that they should allow those Members of the House who are seriously concerned with the commercial and financial development of the country to decide for themselves whether this expenditure really is or is not necessary in the interests of the public, remembering that there are some cases in which retrenchment, if immediately attractive, can in reality be harmful to the country.

**Rao Bahadur T. Rangachariar:** Sir, I have seen it stated that the Honourable the Home Member is a magician who waves his wand over this Assembly, but I feel that we have a greater magician in the Honourable Sir Malcolm Hailey. (Hear, hear.) But the ruthless hand of retrenchment cannot be persuaded by such magic. I quite appreciate, Sir, the great work which is being done by the Currency Department and the attempts that are being made to improve its working. Sir, there is a new direction which is taking place now in the working of that department which might wait till our financial position is better. I approve of the system of creating Circles and Deputy Controllers, but, Sir, that is a luxury which might wait for some time. If you compare the way in which things are managed in Madras, the way in which things are managed in Bombay and Calcutta, and the way things are proposed to be managed in Northern India, you will find that Madras is economically managed. Although Madras is a large province, with a large population, although she cannot boast of many millionaires, still, having regard to the nature of the duties performed, the Accountant-General assists this Department in the performance of its transactions.

I take it, Sir, that a new Department of Deputy Controller is going to be created for Northern India for the first time. May it not wait till our financial position is better, if it is necessary to effect that improvement when we are in that condition? I thought the Honourable the Finance Member rather overstated the case, having perhaps regard to the fact that he is also the Member in charge of Currency; otherwise, he would probably have agreed to this improvement being made. Therefore in that view I press the motion,

**Sir Deva Prasad Sarvadhikary:** Sir, there is some information which I desire to have which, if forthcoming, may probably help in better defending Sir Malcolm's position. I believe it is a fact that in 1919-20, what may be called profits and what are certainly profits though called interest from these transactions amounted to something like four crores. But under the special currency enactment last year that is no longer available for revenue purposes but is transferred to other purposes mentioned in the Act. Well we cannot here quarrel with that, although I believe there is a strong representation that the practice should be in abeyance, for the time being at all events.

Coming to page 278, however, I find a sum of about 64 lakhs spent here and elsewhere, in England, for the purpose of our currency notes. How is it that we cannot get that at all events deducted from the profits, and the net profits carried over to the account that I referred to under special enactment. If that is available, I think the Currency Department regarding which there is no difference of opinion as to its efficiency and being in need of improvement, would be in a better position for having the support of this House. That is probably one of the reasons that may have been at the back of Sir Vithaldas Thackersey's mind in suggesting this reduction. If the information I solicit, is forthcoming, at least from the minds of some of us, doubts and difficulties will be removed.

**The Honourable Sir Malcolm Hailey:** May I give an answer on that particular point, Sir? I think the Honourable Member's point was that the cost of notes should be met from the interest on paper currency securities. Now, that could not be done unless the existing Act were changed; our existing Act, section 13, makes it compulsory on us to apply *all* interest derived from securities—I am putting it in a very compendious form—to the reduction of the securities created for our own purposes, and the Auditor General has to certify every year that this has been done. In the existing state of the Act, therefore, we could not debit the cost of the notes to the interest, as the Honourable Member suggests. If the Act was at any time altered so as to provide that we only applied the profits and not the total interest, no doubt that could be done. At present it is not possible. The Act says definitely '*all* interest'.

**Mr. Deputy President:** The question is:

'That the Demand under the Head 'Currency' be reduced by Rs. 1,50,000.'

The Assembly then divided as follows:

AYES—43.

| | |
|---|---|
| Abdul Majid, Shaikh. | Latthe, Mr. A. B. |
| Agarwala, Lala G. L. | Mahadeo Prasad, Munshi. |
| Agnihotri, Mr. K. B. L. | Manmohandas Ramji, Mr. |
| Aiyer, Sir P. S. Sivaswamy. | Man Singh, Bhai. |
| Asjad-ul-lah, Maulvi Miyan. | Misra, Mr. B. N. |
| Ayyangar, Mr. M. G. M. | Misra, Mr. P. L. |
| Ayyar, Mr. T. V. Seshagiri. | Mudaliar, Mr. S. |
| Bagde, Mr. K. G. | Mukherjee, Mr. J. N. |
| Bajpai, Mr. S. P. | Nag, Mr. G. C. |
| Bhargava, Pandit J. L. | Nand Lal, Dr. |
| Bishambhar Nath, Mr. | Neogy, Mr. K. C. |
| Chaudhuri, Mr. J. | Rangachariar, Mr. T. |
| Ginwala, Mr. P. P. | Samarth, Mr. N. M. |
| Girdhardas, Mr. N. | Sarvadhikary, Sir Deva Prasad. |
| Gour, Dr. H. S. | Singh, Babu B. P. |
| Gulab Singh, Sardar. | Sinha, Babu Ambika Prasad. |
| Iswar Saran, Munshi. | Sinha, Beohar Raghubir. |
| Jamnadas Dwarkadas, Mr. | Srinivasa Rao, Mr. P. V. |
| Jatkar, Mr. B. H. R. | Subrahmanayam, Mr. C. S. |
| Joshi, Mr. N. M. | Subzposh, Mr. S. M. Z. A. |
| Kamat, Mr. B. S. | Thackersey, Sir Vithaldas D. |
| Lakshmi Narayan Lal, Mr. | |

NOES—29.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Keith, Mr. W. J. |
| Aiyar, Mr. A. V. V. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | Mitter, Mr. K. N. |
| Bray, Mr. Denys. | Muhammad Hussain, Mr. T. |
| Bryant, Mr. J. F. | Percival, Mr. P. E. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Crookshank, Sir Sydney. | Renouf, Mr. W. C. |
| Dentith, Mr. A. W. | Sapru, the Honourable Dr. T. B. |
| Faridoonji, Mr. R. | Sharp, Mr. H. |
| Fell, Sir Godfrey. | Spence, Mr. R. A. |
| Gajjan Singh, Sardar Bahadur. | Vincent, the Honourable Sir William. |
| Habibullah, Mr. Muhammad. | Waghorn, Colonel W. D. |
| Hailey, the Honourable Sir Malcolm. | Way, Mr. T. A. H. |
| Hullah, Mr. J. | Webb, Sir M. dePomercy. |
| Innes, the Honourable Mr. C. A. | |

The motion was adopted.

**Mr. Deputy President:** The question is:

'That a reduced sum not exceeding Rs. 28,86,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Currency'.'

The motion was adopted.

MINT:

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 19,64,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Mint'.'

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

'That under this item the demand under the head 'Mint' be reduced by Rs. 1,05,400.'

It is the usual $\frac{1}{20}$th. I would draw the attention of the Honourable Member to the figures printed at the bottom of the page 115 to the item of Receipts. In 1920-21, the actuals were Rs. 73,46,634, the Budget estimate for the year 1921-22 is Rs. 47,59,000, the revised estimate for 1921-22 is only Rs. 14,21,000, and the income estimated for next year is Rs. 19,16,000. I do not know what proportion the Actuals bear to the estimated receipts. If on the other hand Honourable Members turn to the expenditure side just above, the whole expenditure is still kept on even a larger scale. I do not know why the Mints which do not produce enough income should be kept up at the same rate and why a reduction should not be effected under this head.

I further wish to know as to what action has been taken with regard to the coinage of gold in the Bombay Mint. This question was debated last year, I think, on the motion of my friend, Mr. Price. I should like to know whether any steps have been taken in this direction as I believe a certain statement was made last year by the Honourable the Finance Member. Sir, I move this motion.

**The Honourable Sir Malcolm Hailey:** The receipts on account of Mint of course vary in proportion with the public demand for silver and other coins. For about two years, we have, of course, coined no new silver at all, we are only replacing worn out coins. As a matter of fact, such is the confidence of the country in the note issue of this bankrupt, incapable and incompetent Government that it prefers to use our notes and give us its silver. Every week we get a heavy return of silver rupees from the country; we now have, about 76 crores of silver in our chests and we are at a real difficulty to find sufficient storage for it. When I am told that the country has no confidence in Government, that its financial administration is incapable and inept, I often look at that figure with a good deal of satisfaction. No country which had any serious doubt regarding the stability of its Government or the general correctness of its financial arrangements would take that Government's notes and give up its metal. (*Mr. Rangachariar*: 'We are helping you to keep it up.') I am looking to the House now to maintain our financial stability closing our deficit! This in any case is the simple explanation why the receipts in the current year and in the coming year will be less than the year 1920-21, when there was considerable coinage. If the House will look at the figures of the previous years, they will find that the same remark of course applies to the expend ture. In 1917-18, we spent about 22 lakhs, in 1918-19, about 40 lakhs, in 1919-20, 42 lakhs and in 1920-21, about 19 lakhs. Our expenditure is simply incurred in turning out the coin which the country demands. That expenditure is purely of a manufacturing nature, and we have placed in the Budget simply the sum which we think we shall require if we are to meet the reduced operations which we look forward to in the coming year. As the House will see, there is nothing in the Budget but the ordinary provision, which has, I think, existed for about 50 years, perhaps longer, for the Mint Master and the Assay Master, and the rest of the expenditure is merely manufacturing outlay. I need not say that you cannot dispense with the Mint Master and his few assistants any more than you can dispense with the Assay Masters. As for the establishment, as I have said, it is paid on the same market basis as other industrial establishments, and we naturally cannot reduce it.

Mr Rangachariar asked for information on another point, namely, the coinage of gold at our mints. We have made all arrangements, as I informed the House on a previous occasion, to produce gold coin as soon as it is demanded. In the existing state of the premium on gold, nobody would bring their gold to the mints; until the demand arises we naturally cannot mint coins. As soon as the demand arises we shall be prepared to meet it. That would apply whether the gold coin that it is decided to produce is the

sovereign or an Indian coin. We are, of course, in that connection exactly in the same position as England or any other country which cannot mint its gold coin at present.

To conclude, therefore, I have only to repeat to the House that the main charges under this head are purely manufacturing charges and if they are reduced we shall not be able to produce the coin that the country demands. I have no doubt that there is something to be said from an abstract point of view for the principle of bringing pressure on Government to reduce a class of expenditure, which constitutionally it is not within the control of the House to vote, by making forced reductions of other classes of expenditure which are within the control of the House. But, as a matter of practical politics, we have to treat each of these demands separately and on its merits. In addressing the House previously I have consistently opposed any motion which will have the effect of dealing with the demands as a whole for the simple reason that the law requires that the House should vote each Demand separately after listening to such justification as Government can put forward in regard to that Demand. It seems to me that it is only reasonable and businesslike that where a particular demand is justified, it should stand; where good reasons can be shown by the critics of Government, for cutting down the demand on its merits, that demand should be reduced. In the particular case in point I have shown that the superior establishment is exactly what it has been for very many years. The charges other than those for establishments are simply manufacturing charges. We do not produce coin for our own satisfaction. We produce it to meet the demands of the country and we have put this amount in the Budget purely to meet those demands. I put it to the House again that it is not a reasonable proposition to seek to reduce this demand.

**Mr. Deputy President:** The question is:

'That the demand under head 'Mint' be reduced by Rs. 1,05,400.'

The Assembly then divided as follows:

AYES—31.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Iswar Saran, Munshi.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Man Singh, Bhai.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Rangachariar, Mr. T.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.

NOES—35.

Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
Misra, Mr. B. N.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarvadhikary, Sir Deva Prasad.
Sharp, Mr. H.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.

The motion was negatived.

**The Honourable Sir Malcolm Hailey:** Would you like to adjourn?

(*A Voice*: 'May we now stop at this stage?')

**Rao Bahadur T. Rangachariar:** We have no opposition to that.

**Mr. Deputy President:** I think it might be just as well to take one or two items and finish them.

The question is :

'That a sum not exceeding Rs. 19,64,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Mint'.'

The motion was adopted.

**Mr. Deputy President:** Do Honourable Members wish to adjourn the House ?

(*Voices* : 'Yes,' 'No.' 'No.')

**Mr. Deputy President:** Order, order. Dr. Gour.

**Dr. H. S. Gour:** Sir, Demand No. 39 might be passed without any motion because there is no notice of any motion on the printed list.

**Mr. J. N. Mukherjee:** I have put in a notice of motion. I put it in yesterday.

**The Honourable Sir William Vincent :** Is Dr. Gour to tell us which demands we are to pass and which not ?

**Mr. Deputy President :** In connection with the inquiry made by Dr. Gour, there is an amendment, but which is not on the printed list.

EXCHANGE.

**Mr. Deputy President:** The question is :

'That a sum not exceeding Rs. 9,95,50,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Exchange'.'

**Mr. J. N. Mukherjee:** My motion before the House is :

'That the sum of Rs. 9,95,50,000, in Demand No. 39, at page 116 on account of 'Exchange', be reduced by Rs. 5,00,00,000.'

My point is that the Exchange head covers not only civil but military expenditure as well. This was admitted by the Honourable the Finance Member in the other House a few days ago, in course of debate, and in reply to the Honourable Mr. Sethna's question. From the Budget speech of the Honourable the Finance Member I also find that this demand includes military expenditure.

It is impossible for us to find out how much of this expenditure of Rs. 9,95,50,000 is to be debited to the military side. I could not find out the exact total of the military expenditure on which this liability on account of Exchange has been incurred. It must be an enormous sum. It might probably amount to five crores. (*A Voice* : 'One and a half crores.') Whatever it may be. If it is one and a half crores I will accept that suggestion and move the reduction of the demand by an amendment limited to that amount, namely, one and a half crores of rupees. What has been done in the Budget statement, is this. The debit on account of Exchange under the heads of Posts and Telegraphs and Railways have been separately shown. But the expenditure under various other heads, so far as Exchange is concerned, has been lumped together, with the result, that the real figures as to military expenditure do not appear on the surface. If the expenditure on account of Exchange on each count had been separately shown, we would have known exactly how much of the debit due to Exchange, the military side was responsible for. For all practical purposes, upon the Budget figures as presented to the House, the amount actually shown as the military expenditure ought really to be a great deal more. That is my point. I therefore hope that the House will carry my motion and deduct whatever amount should really be debited against military head, as expenditure, on this account.

**Dr. H. S. Gour :** Sir, I entirely support the motion that has been moved by my Honourable friend. The whole of this military expenditure in the Budget has been camouflaged. Some of it has gone under aeroplanes, and wireless, some under the Frontier, some under the Frontier Military Police, and some under the head of Exchange. My friend (Sir Montagu de P. Webb) tells me that if an accurate account of military expenditure is made, the total will be 69 crores. One friend on the left says it is 80 crores. Any way, Sir, it is in the neighbourhood of 69 or 70 crores. Assume that it is 69 or 70 crores. The country is entitled to know the true state of military expenditure, and I therefore suggest that the Military Department in framing their Budget must consolidate all the expenditure under the various heads, so that this House may be in a position to know what is the expenditure of the military liability which this country has to meet from year to year . . . .

**Sir Deva Prasad Sarvadhikary :** And make that also non-votable.

**Dr. H. S. Gour :** And to be on the safe side my friend, Dr. Sarvadhikary, suggests let that sum also be made non-votable. (*A Voice* : 'No'.) That is the way of dealing with the country.

**Rao Bahadur T. Rangachariar :** Sir, I wish to add a few observations by way of tactics in order to meet the tactics of the other side. We have learnt the art of talking, and I especially can talk it out. (Laughter.) I can talk out the whole night.

**Mr. Deputy President :** I think the House will agree with you.

**Rao Bahadur T. Rangachariar :** I am accustomed to fasting, Sir, as a Brahmin. We have our *Ekadasi* day twice a month and we are ordained to fast the whole of that day. I do not say I do it. (Laughter.) But I propose to observe *Ekadasi* to-night. (*A Voice* : 'Over the Budget'.)

Coming to the serious aspect of the question as regards this question of Exchange, I think my friend, Mr. Mukherjee, has really raised a very good point. We should exactly know where we stand as regards the military expenditure. We know, Sir, that certain expenditure is incurred of an unproductive kind in Telegraphs, the department of my Honourable friend, the Honourable Mr. Sarma. Will he be able to tell us – I do not know if he knows – how much of it is due to military lines, how much of this extraordinary expenditure is due to military lines. Should it not go to the Military Budget? So also my friend, Colonel Waghorn, President of the Railway Board, is here. Unfortunately he has to bear a large burden and bear the brunt of the criticism. Not only that; I think if we examine the interpellations in this Assembly and in the Council of State, I think I have seen Colonel Waghorn on his legs very often than any other unfortunate Member of this House on the side of the Treasury Benches. Why should he bear all that burden when he is running a Commercial department successfully? It is because he has really to run strategic lines, of the mileage, the gauge and other things of which we know nothing.

**Sir Godfrey Fell** (Army Secretary) : On a point of order, may I ask whether this is relevant to the discussion on Exchange? (*Voices* : 'It is relevant'.)

**Mr. Deputy President :** I cannot say that it is really relevant, but I hope the Honourable Member will come to the point.

**Rao Bahadur T. Rangachariar :** I am coming, Sir.

**Dr. H. S. Gour :** May I point out that strategic railways are essentially built for Military purposes, and therefore it is relevant to the question of military expenditure. (*Voices* : 'Exchange'.) A crore and a half rupees out of this Exchange demand goes to military expenditure. That is the contention of my friend, Mr. Mukherjee.

**Rao Bahadur T. Rangachariar :** Not only that. For the strategic lines, they have to buy stores in England and they pay in gold. How much of the loss is due to it? Expenditure in the railway lines or telegraph lines will also have to go to the military Budget. In that way the Military Budget is swelled and the country will know the real weight of this unfortunate military Budget. I sympathise with His Excellency the Commander-*in*-Chief, whom I am glad to see to-day here. Yesterday when we carried the reduction of the military expenditure by Rs. 100, I am sorry we carried it behind his back. It is quite unsoldierly like I agree.

If he had been here yesterday when we carried that Resolution to reduce the military expenditure by Rs. 100, instead of Sir Godfrey Fell, his broad back would have taken the burden. (Hear, hear.) If we had done it in his presence, it would have given us great pleasure. Sir, I heartily support this motion.

**The Honourable Sir Malcolm Hailey :** Sir, Mr. Mukherjee said, to my astonishment, that I, in another place, had admitted that part of our 'exchange losses' was due to military expenditure. 'Admitted', Sir? Why, the facts were patent. They were stated openly in my speech of 1st March. What was there to admit? It was open for any Member who took an interest in those matters to make a very simple arithmetical calculation, and find out what portion of the head 'Exchange' on the expenditure side was attributable to Home remittances. See the amount of these remittances given in full in the Military Budget. (*A Voice* : 'Was this on a 2*s*. basis'?) Our accounts are kept on the 2*s*. basis, and it is perfectly easy to calculate the exchange difference. I stated not only on the 1st March this year, but last year, the principle on which we calculated the head 'Exchange' on the expenditure

side. It represents the difference between the amount calculated on the basis at which our accounts are kept (2 shillings) and the actual cost of remittance. In regard to commercial departments this difference is put down under the particular head, while in regard to other departments the sums involved are lumped together ; but since under every head we also give full details of what the Home expenditure is, it is perfectly easy to calculate what the exchange difference amounts to in every such case. In lumping all these together for non-commercial departments we have had no idea of concealing facts from anybody ; such an idea never occurred to any of us. We simply followed the old practice under which exchange differences (*i.e.*, differences between the amount as calculated on the basis on which our accounts are kept, and the actual market rate) were shown under one head. In the days when exchange gains and exchange losses (if I may use this inaccurate term) were small, this head was not of course a prominent feature of our Budget. It is only now that it has assumed prominence.

This is the very simple explanation of this astonishing 'admission' of mine, to which the Honourable Member pointed with such pride as a new discovery. But he was admirably restrained in what he said on the subject ; he did not indulge in that style of thud and blunder, I mean blood and thunder, oratory which some of my Honourable friends here are sometimes given to. He did not go so far as to say that military expenditure was 'camouflaged' under every head. He did not make the astounding assertion, which nobody who knew the facts would for a moment support, that we camouflage military expenditure under the head of aeroplanes. (*A Voice* : 'What about wireless and railways ?') I will take them all in time. Aeroplanes. What we have done in our Budget is to put aviation under the Civil head and 'aviation' simply provides for the upkeep of an inspector and a few landing grounds. There is no provision there for any military expenditure of any nature whatever. Then again, take the head Telegraphs. My Honourable friend, Mr. Rangachariar, asked Mr. Sarma what were the losses due to the fact that certain telegraphs were for military use. Mr. Rangachariar knows as well as I do that the total result of telegraph working is a profit, and not a loss. (*A Voice* : 'But there is a loss there'.)

Then we will take the question of the Frontier. Now I am told that military expenditure is camouflaged in the figures which we have given regarding the Frontier. Those figures are plain and open for anybody to read. One of our critics referred to such items as Border Police. Is that item military ? There have been Border Police on our administrative borders for 60 or 70 years. When military occupation beyond our administrative line was unthought of, that Border Police existed and must exist for the protection of our frontier villages. Where is the camouflage there ? Take again military roads. Military roads are debited to military. It is one of the complaints of my friends on the military side that we insist on charging the military with roads across our administrative border. They claim that that is an ordinary case of civil expenditure. We insist, however, on charging the roads to the military. There is no camouflage there.

Then I come to strategic railways. There is some substratum of fact here, but in the manner in which the charge is used against us, I might almost describe the charge as a mare's nest. We have in our Railway Administration Reports a heading called 'Military section of State Railways'. It bears a comparatively small proportion of our total Capital expenditure, not I think more than about 22 crores in all out of 500 crores. But the fact is that a large number of these railways, which are classified as military, are a source of profit to the Administration. That is not the case with all ; but it certainly is with some. I know some of these railways intimately. The Sind-Doab Railway, which is purely strategic, is now becoming a valuable asset. The Lala Musa-Kundian extension is in the same case. The Nowshera-Dargai Railway had to be converted recently into a broad gauge on account of its heavy traffic. The Kalabagh-Bannu Railway, which is often pointed to as a strategic railway, was never constructed at all as such. Though it lies across the Indus and may look like a strategic railway, it was constructed by the Railway administration as a productive enterprise. The Khyber Railway, I will admit, is a strategic railway, pure and simple. But it is very easy indeed for any Member to find out by a simple question what is the cost of the Khyber Railway and what is the interest we pay on the capital outlay. There can be no talk of camouflage in matters such as these. Then the last head—perhaps the most important under which the word camouflage has been used—I mean Exchange. I think I have already justified to the House our previous practice in that matter. Military expenditure is, of course, in a year when exchange shows so great a divergence from the rate at which our accounts are kept, swollen on account of our remittance transactions. And everyone who is

in any way conversant with our finance knows perfectly well that you should add to military expenditure the differences on exchange due to our Home remittances on military account. Now, what the Honourable Member asks for is, I understand, though I am not perfectly clear on that point, either a change in our method of keeping our accounts or an actual reduction under this head. If he desires that we should state for the information of the Members the full military budget and what addition is necessary on account of making remittances to the Home account, we should be delighted to print that in future. We have as a Government nothing to gain and everything to lose from a suspicion that we are concealing the true facts in regard to our finances—military or otherwise. I have not, Sir, spoken in indignation or attempted to resent this charge, because I regard it myself as one which Members would not make except for purely dialectic purposes. I put it to the Honourable Members here that our course in regard to our accounts, whatever may be our character or, shall we say, our stubbornness or obstinacy in regard to other certain points, is really one of absolute frankness. We do not attempt to conceal anything from the country; as I have said, I do not think that that charge is ever really seriously brought against us, and I am certain that it cannot be seriously maintained.

**Rao Bahadur T. Rangachariar:** Personally, although I may be out of order, Sir, I wish to congratulate the House that our good humour should have given an opportunity to our esteemed friend, Sir Malcolm Hailey, to give us a most instructive explanation of the situation. It was not the intention of any of us on this side of the House to make any suggestion that the Honourable the Finance Member is guilty of any such act that he thinks that we are attributing to him.

But there are certain items which we think should rightly be debited to the military budget; that is all we meant. Therefore, I may say personally, that I have listened with great pleasure to the very instructive and eloquent speech of my Honourable friend, and I am glad that my remarks provoked him to make it.

**The Honourable Sir Malcolm Hailey:** I fully accept the disclaimer of my Honourable friend in the spirit in which he gives it.

I was very careful not to say that I resented the suggestion that we concealed anything in our accounts and I was very careful indeed to make it clear to the House that I did not think any one really intended seriously to bring such a charge against us. I did, I think, refer to the word 'camouflage' because it is a word of a somewhat sinister connotation, and, on behalf of my Department, on behalf of my predecessors, and on behalf of the Government of India, I do not like to see that word used, because people, who are not so good-natured as this House, and people, who have not the same sense of public spirit and fairness as this House, might perhaps take hold of that word outside and misinterpret the intention of the Members who have used it. Again I say, Sir, that I welcome what the Honourable Mr. Rangachariar has said in this connection. I feel indeed that our conscience in all matters of accounting is really perfectly clear, and I imagine, Sir, that having obtained this explanation from me, the House does not now wish to pursue the matter further.

**Dr. H. S. Gour:** May I, Sir, just by way of personal explanation point out that I was the author of that word in this connection, and I did not use it in any sinister sense. I intended merely to point out that there are certain entries in the Budget which would justifiably come under the head of military expenditure, though they have been screened from the view of ignorant people like ourselves by being put under different heads. Consequently, we have to add them together to come to a conclusion as to what is the total military expenditure of the country.

**Mr. N. M. Joshi:** I move that the question be now put.

**Mr. J. N. Mukherjee:** I should have stood up to say, after what had fallen from the Honourable the Finance Member, that I do not wish to press the point.

The motion was, by leave of the Assembly, withdrawn.

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 9,95,50,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Exchange'.'

The motion was adopted.

CIVIL WORKS—INCLUDING EXPENDITURE IN ENGLAND.

**Mr. Deputy President :** The question is :

'That a sum not exceeding Rs. 1,60,10,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Works including expenditure in England'.'

**Dr. H. S. Gour :** Sir, I move that this question be taken up at half past 10 to-morrow morning. (Cries of 'No, no, at 11 o'clock.')

**Mr. Deputy President :** I am afraid I must rule that motion out of order.

**Rao Bahadur T. Rangachariar :** I suppose the Chair has obtained the assent of the Government in this matter.

**The Honourable Sir Malcolm Hailey :** Yesterday evening, when the House desired to rise at half past 5, though it would really have been more convenient to us to continue the discussion (because we ourselves like a full discussion and a thorough ventilation of all the important matters that are put before the House), I said at the time that I would leave the matter entirely to the House. On this occasion, Sir, I give exactly the same answer. The House knows as well as I do what the rule is in regard to voting on Demands for grants. At five o'clock to-morrow evening they will be put *en bloc* to the House, and it is therefore at the option of the House to ask the permission of the Honourable the President—and his permission is of course required—to sit late or to rise at once.

Government will fall in with any views expressed by the House.

**Mr. J. N. Mukherjee :** Sir, the motion that I place before the House is :

'That the sum of Rs. 63,30,000 under the head 'Civil Works' be omitted.'

My point is, that the Honourable the Finance Member in his speech has said that this year he is practically not going in for any original works—practically, I say, because it is to be, with very small exceptions—under this head. The House will see that at page 121 there is a sum of Rs. 16,91,000 against original work Forest Research Institute at Dehra Dun.

**The Honourable Mr. B. N. Sarma :** That is for works under progress.

**Mr. J. N. Mukherjee :** But shall we be able to spend so much as Rs. 16,91,000 in the course of one year, at a place like Dehra Dun ?

**The Honourable Mr. B. N. Sarma :** Yes.

**Mr. J. N. Mukherjee :** Instead of burdening the taxpayer with expenditure of this sort in a year of financial stringency like this—which is clearly not the wish of the Honourable the Finance Member, my proposition before the House is that this item be deleted and all expenditure on original works should go to capital and not to revenue account. That is my submission.

**Colonel Sir Sydney Crookshank :** Sir, perhaps I may explain that although the items comprising the amount are shown against the Head of Original Works, they are not original new works. The only new works which we have provided for as against the whole Demand come to the small amount of Rs. 2,78,000. The remainder, that is to say, 40·59 lakhs worth are for original works which are in progress and have been carried on from last year and which cannot be stopped without incurring very heavy losses.

**Sir Deva Prasad Sarvadhikary :** Sir, I do not know how the accounting may stand with regard to revenue and capital expenditure ; but I do not think that the House ought to be party to anything that will stop the progress of the Forest Research Institute at Dehra Dun which urgently requires immediate development.

**Mr. A. C. Chatterjee :** I may explain that one of the original works for which provision has been made is the School of Mines and Geology and after the expression of the sense of the House earlier during the day I hope that item will not be cut out.

**Mr. P. P. Ginwala :** I ask for information, Sir, as to these military works services—Rs. 4,34,000 . . . .

**Mr. Deputy President :** Order, order. I may draw the attention of the Honourable Member that we are not on that item. We are now dealing with the particular sub-head 'Original Works' in Demand No. 40.

**Rao Bahadur T. Rangachariar:** May I point out, Sir, with your permission that there is the original motion before the House on which my Honourable friend is entitled to ask for information, the original motion about the whole grant which you have put ?

**The Honourable Sir Malcolm Hailey:** May I perhaps assist your task in dealing with these rather intricate questions of procedure by simply supplying the information which the Honourable gentleman asks ?

**Rao Bahadur T. Rangachariar:** I rise to a point of order. When the Honourable Chair has ruled it out of order, is it open to the Honourable the Finance Member to give an explanation ?

**Dr. H. S. Gour:** On a point of order, Sir. If the Honourable Mover was not out of order he is entitled to continue and finish his speech.

**Mr. P. P. Ginwala:** I want to know how this sum of Rs. 4,34,000, has suddenly become votable ; because if it is really votable and it affects the Military Department, we shall simply make the attack and get our majority . . . .

**Mr. Deputy President:** I must draw the attention of the Honourable Member to rule 48(*3*) which says 'when several motions relating to the same demand are offered, they shall be discussed in the order in which the heads to which they relate appear in the Budget.'

**Mr. P. P. Ginwala:** Therefore, I think, Sir, that I should like to know before we start this debate whether the Government of India has been re-advised by the Law Officers of the Crown and whether they have been told that this is votable; I should like to be informed on that point first before we start this very interesting debate.

**The Honourable Sir Malcolm Hailey:** The explanation is really a very simple one, and I do not think it necessary to trouble my Honourable friend, Dr. Sapru, or to refer to the Law Officers of the Crown on so simple a point. The items are classified as 'payments to Military Works Services' for the simple reason that in the Frontier province and in some other areas our only agency for carrying out civil works is the Military Works Services; we have no civil works agency, and we make payments to the Military Works for doing certain work for us. These are civil works in every way, but they happen to be carried out for us by military agency and we pay the Military Works for doing so.

**Mr. P. P. Ginwala:** If it is a question of classification, may I know whether in case we cut down this sum, it will affect the Military Budget or not ?

**The Honourable Sir Malcolm Hailey:** No; it will have no effect whatever on it. If you cut the provision out, the work may have to go out; but I can assure my Honourable friend that it will have no effect whatever on the Military Budget. Let me take a case, a very simple one—work on the Chilas-Bandipur Road; that is a civil work; only the agency for carrying it out happens to be a military agency and we make the payment in that way. The work, as I said, being a civil one is put down to the Ordinary Civil Budget and it happens to be classified as Military Works Services simply for the reason that it is carried out through that agency.

**Mr. N. M. Samarth:** If the House will refer to page 120, it will find there under 'Original Works' Major Works—two rest-houses with out-houses on the Chilas-Bandipur Road, making road from Gilgit to Gupis fit for passage by baggage-camels; and then Amount payable to the Military Works Services and Amount payable to the Kashmir Durbar for works at Gilgit. I really do not see any substance, therefore, in the objection raised by the other side—I mean by the Democratic Party.

**Mr. Deputy President:** The question is:

**'That a sum not exceeding Rs. 63,30,000 under Demand No. 40, Civil Works, under sub-head 'Original Works,' be omitted.'**

The motion was negatived.

**Mr. N. M. Joshi:** Sir, I beg to move :

**'That the provision for Coorg be reduced by Rs. 50,000.'**

Sir, Coorg is a very small tract of territory. Ordinarily if it had been in a regular Province we would have called it a tehsil or taluka, and for such a small tract of territory we are providing in the Budget a very large establishment, namely, an Executive Engineer costing Rs. 14,400 per annum, an Assistant Engineer costing Rs. 9,000 a year, and a Sub-Engineer costing

Rs. 3,600 a year. Ordinarily for such a small tract we would have appointed an officer of the last grade mentioned here, namely, a Sub-Engineer, and paid him Rs. 3,600 per annum. Simply because Coorg is an isolated tract we have got two very highly paid officers. I therefore want these two officers to be sent somewhere else and economy effected.

While on this motion I might say that there are other smaller administrations like Ajmer-Merwara, where you have not only one Executive Engineer, but also a Superintending Engineer and two Executive Engineers. All these smaller administrations have been causing a great amount of expenditure to the Central Government. I therefore feel that the Government of India should very seriously consider the question of these smaller administrations, and they should either amalgamate these smaller administrations with the neighbouring territories or do something else with them. But the country cannot afford to pay for these large establishments.

**Colonel Sir Sydney Crookshank :** Sir, I am afraid the Honourable Mr. Joshi has only more or less foreseen exactly what we are doing, that is to say, we have already addressed the Chief Commissioner, Coorg, as to the high establishment charges on the works in that small administration, and I may inform the House that he has undertaken to look into the matter and see what reduction can be made. Also, I understand from the Honourable the Home Member, that a Retrenchment Committee is actually going into the question of the whole expenditure of the administration in Coorg.

As regards the further suggestion of my Honourable friend, that point has already been taken up in my Department, and we have asked the Government of Madras whether they would undertake the whole of the supervision and execution of the Public Works in Coorg. My Honourable friend at the same time refers to Rajputana, but he need not perhaps have confined his remarks to Rajputana, because I must admit that right throughout these Civil Works budget, the establishment charges are, on this occasion necessarily higher than we would have liked them to be. The reason is partly, as I have already explained, that on account of the stringent financial position we have had to cut down the demands under this head by no less than Rs. 1,79 lakhs and we cannot arbitrarily by a stroke of the blue pencil reduce the establishments for such period—may be for one year or may be for two—as it is impossible to provide funds for these works.

**Mr. N. M. Joshi :** This is a permanent establishment. Why do you want such a big establishment—a Superintending Engineer, two Executive Engineers, one Assistant Engineer and 4 Assistant Engineers—for a small tract like Rajputana ?

**Mr. Deputy President :** I must draw the attention of Mr. Joshi to the fact that he has now moved an amendment with regard to Coorg.

**Mr. N. M. Joshi :** At the same time I referred to the other . . .

**Mr. Deputy President:** Then I will allow it, because he has given notice of a motion about Rajputana also later on.

**Dr. H. S. Gour:** May I also put a question, so that Sir Sydney Crookshank may make one speech instead of two in his reply? If he refers to page 128, North-West Frontier Province, he will find about 31 lakhs are debitable to Major Works (see page 129), and if he turns to North-West Frontier Province he will find that the Civil Works are there at the very end (page 173)—Civil Works 2 lakhs. May I ask the Honourable Member whether the 31 lakhs of rupees debited to the North-West Frontier Province at page 129 are not in addition to the two lakhs mentioned at page 173.?

**Mr. Deputy President :** That question can be taken up when the main demand is under consideration.

**Dr. H. S. Gour :** That is only a question and if the Honourable Member finds it convenient he may be able to give a reply on this point also.

**Colonel Sir Sydney Crookshank :** Reference to page 173, I think it shows that items are Receipts. I am talking about the Civil Works Demand which is Public Works Expenditure.

**Dr. H. S. Gour :** On page 170, Civil Works Rs. 112,000,—is this an addition to those 31 lakhs?

**Colonel Sir Sydney Crookshank:** These are Civil Works under the Public Works Department.

**The Honourable Mr. B. N. Sarma :** They were carried on by the revenue officers or other agencies.

**Colonel Sir Sydney Crookshank :** I was going to remind the House that inasmuch as the Original new Works have been reduced of late years on account of war and other reasons, and that the repairs and also the Minor Works have also had to be cut down very largely, the position as regards the Works throughout the countryside at large is a very unsatisfactory one indeed, and it is high time that the very heavy depreciation of the buildings, and deterioration of the roads and bridges which is going on were arrested and if possible more money provided. We cannot very well stand still as we have of late years, and I hope that considering these facts this Honourable Assembly will pass this Demand without any reduction, because the position is, as I have pointed out, a most serious one and it is very necessary indeed that full provision should be made for maintaining all these works.

**The Honourable Mr. B. N. Sarma :** During my non-official days it was a favourite pastime of mine to attack the Civil Public Works Department expenditure, and I think it was a favourite pastime of almost every non-official to point to the Public Works Department expenditure as a convenient item out of which savings could be effected for the purpose of increasing the allotments under other heads. I wish it had been my good fortune to be in such a position to-day (Hear, hear) (*Mr. Rangachariar* : 'Nothing to prevent you') and say that I have been able to find some source of retrenchment in order to give satisfaction to my Honourable friends on the other side. I regret to say that such a pleasant position has been denied to me by the exigencies of the moment, namely, the financial pressure which induced my Honourable friend, Sir Malcolm Hailey, to mercilessly slaughter the proposals of the Public Works Department. (*A Voice* : 'Poor Department.) It is a very poor department really this year for the simple reason that from almost every quarter we are getting proposals for new works, some of which are absolutely necessary but for which we have not been able to make any provision whatsoever. We are merely carrying on the works in progress, and various Governments have pointed out to us that if we allow the buildings and the roads to go into further disrepair it will come to this that we will have to re-make the roads. It will not be a question merely of repairing the roads but it will be a question of re-making the roads, which would be a very expensive process.

**Mr. Darcy Lindsay :** On a point of order, Sir. Are we discussing this Demand as a whole or only the amendment in connection with Coorg and Rajputana ?

**Mr. Deputy President :** I understand the Honourable Member is referring to Coorg.

**The Honourable Mr. B. N. Sarma :** With reference to Coorg in particular, so long as it is a separate administrative unit, you have to maintain a certain establishment and proposals, as I have already said, are on hand to see whether the Madras Government can be induced to take over Coorg for public works purposes so as to be able to reduce the cost. It takes two parties to consent to that arrangement. The Madras Government must be agreeable to that before we can force it upon them, and until such an agreement is come to and some arrangement is made whereby a retrenchment would be possible, we must, I think, maintain the public buildings and roads in Coorg, and I therefore request that this small provision should be allowed to remain intact, and certainly we will place before the House information as to what we are able to do and what the Retrenchment Committee will be able to do in the way of amalgamating, for certain purposes at least, Coorg with Madras. The same observations apply to Ajmer-Merwara in respect of which, I think, there have been suggestions as to whether the United Provinces Government cannot undertake some of the public works there. But to think of those possibilities and reduce the expenditure during the current year would be to render impossible the works of the Public Works Department in effecting repairs and carrying out other works in these places and I therefore submit that this provision should be allowed to stand.

**Munshi Iswar Saran** (Cities of the United Provinces : Non-Muhammadan Urban) : One can quite understand the explanation offered by the Honourable Mr. Sarma that in his non-official days it was his pastime to attack this particular Department and now in his official capacity it is his pastime to defend it, but as far as my friend Mr. Joshi is concerned, I am afraid he is far too earnest and serious than many of his friends would like him to be.

**Mr. N. M. Joshi :** I am very serious.

**Munshi Iswar Saran :** There is only one thing which strikes me as sound and that is what the Honourable Mr. Sarma has told us, and very rightly, that if the Madras Government or any other Government is not

prepared to take over this establishment you cannot force that establishment upon any particular Government without its consent. But he will not object to my reminding him of his days of the legal profession. Like a clever advocate he has slurred over the portion. I do not mean any offence at all of the charge of my Honourable friend, Mr. Joshi, about the maintenance of this staff. There is one word which I wish to say, that sometimes it is surprising that men of the experience and ability of Mr. Joshi should raise objections as to staff. I shall again be accused of being bitter, as I was accused once in making this remark. In order to carry on work efficiently, whether the work is large or small, you must have a complete and a perfect organization, from the Superintending Engineer down to the Assistant Engineer and Supervisor. (*A Voice*: 'Chief Engineer'.) Well, I thought the Superintending Engineer was the biggest (*A Voice*: 'The Chief Engineer is the biggest'.) The Honourable Mr. Sarma has told us, 'if you have to keep this work going on in Coorg independently, then it is necessary to keep this establishment'. He has asked us to wait for the decision of the Retrenchment Committee. I might say to Mr. Sarma that he would do well not to wait for the report of the Retrenchment Committee; it would be much better if the took up the work himself and tried to do something in order to make this Department in Coorg a little less efficient and a little less expensive. These establishments are costing a great deal, and if he will forgive my saying so, they are causing a great deal of discontent. The layman, the man in the street, is really unable to understand these technical and scientific explanations of these enormous sums spent on staff. He says, the work is small, the work is not very much after all, and there is a huge establishment. I shall submit to him, with all respect, that he should consider this question and come to a decision himself and not give us only the promise of the report of a Retrenchment Committee. If he will not expedite the matter, I am very much afraid that next year when we bring this matter again to his notice, Mr. Sarma will get up and say, "Yes, the Committee has sat, but it is recording evidence and it is considering the report. I think that he will agree with me that it is much better for Government as well as for the non-official Members of this House that this matter should be expedited, and that wherever you have a larger staff than is actually required, that staff should be cut down.

**The Honourable Sir William Vincent** (Home Member): Sir, I should like to deal with one aspect of this question, and that was taken up by Munshi Iswar Saran. It was suggested by him, I think, that Government had taken no action in this matter of retrenchment in Coorg. Now in point of fact :

**Munshi Iswar Saran**: I did not suggest that. I am afraid I have been misunderstood; I am sorry if I have conveyed that impression. I understood Mr. Sarma to say that there was going to be a Retrenchment Committee in Coorg and this is what I said.

**The Honourable Mr. B. N. Sarma**: No, no.

**Munshi Iswar Saran**: Then I am very sorry.

**The Honourable Mr. B. N. Sarma**: This Committee, here.

**Munshi Iswar Saran**: And that makes the position still worse.

**The Honourable Mr. B. N. Sarma**: It is going to be taken up by the general Committee of Retrenchment. We ourselves are taking up the question and then the Committee also will be sitting in addition.

**The Honourable Sir William Vincent**: If the Honourable Member will allow me to go on, I shall be in a position to explain what has been done. The Chief Commissioner has taken up this question of retrenchment in Coorg generally. I understand that he has already been able to effect a considerable saving, something over Rs. 60,000. He has a further saving in contemplation. In addition to that, an officer of the Madras establishment—an accounts officer—I think he is an accounts officer? (*A Voice*: 'No')—no, a civilian officer of the Madras Government—has been deputed already and is examining the question to see, not what retrenchment can be effected but what further retrenchment can be effected. Now, I sent in a note to my office to find out, if I could, whether this retrenchment included any of the posts mentioned by Mr. Joshi; but unfortunately I have been detained here very late and my office establishment has gone home (Hear, hear), and the office is closed; so I cannot give him any more assurance than to say that the matter of retrenchment in Coorg has been vigorously taken up and considerable savings have been effected already,—and I hope more will be effected; I believe that will meet him as well as anything I can say.

**Mr. N. M. Joshi:** Sir, in view of the assurance given that the establishment of Coorg will be considered and retrenchment effected, and also in view of the assurance that the question of the amalgamation of Coorg with the neighbouring Province, at least in some Departments, is being considered, I withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Dr. H. S. Gour:** May I deal with the North-West Frontier Province?

**Mr. Deputy President:** No. When we take up the main question.

**Rao Bahadur T. Rangachariar:** Sir, the motion standing in my name is :

'That the demand under head 'Civil Works—including Expenditure in England' be reduced by Rs. 8,01,750'

Honourable Members will notice that the items in this Demand No. 40 extend from page 117 to page 132, and are made up of details which require very close examination at the hands of the Assembly before we can vote this grant Honourable Members will notice that the opening page gives the analysis of the total expenditure. Unfortunately, some of the points on which we would like to have information are totalled up together; so that we are not able to compare the figures of 1922-23 with the figures of 1921-22 in a satisfactory manner. I will draw Honourable Members' attention, for instance, to 'Allowances and honoraria', item No. 5 on page 117. What the expenditure under that head was in 1921-22 is not shown, although for the next year it is put down as Rs. 1,16,000. I should like to know whether these allowances and honoraria are for officers only or for their establishments as well, and also what the nature of these allowances is and how many people received allowances and honoraria. Honourable Members will also notice that all these items put together, in the Budget Estimate for 1921-22 amounted to Rs. 1,46,94,000, whereas in the coming year 1922-23 the estimate for the same items amounts to Rs. 1,61,70,000. Again, Honourable Members will notice that the cost of English stores, which was only Rs. 99,000 in 1921-22, has gone up to Rs. 3,32,000. What is the need for the increased provision in this item? I should like to know why the expenditure on English stores has risen all of a sudden from Rs. 99,000 to Rs. 3,32,000. The matter requires investigation. Again, if Honourable Members will turn to the grand total of the Expenditure, they will find that in 1921-22 the total budgeted for was Rs. 1,46,94,000, the revised estimate being Rs. 1,47,76,000. For this year, however, the Budget Estimate is Rs. 1,62,15,000, of which I am glad to see the non-voted portion is only Rs. 2,05,000. The responsibility of this Assembly therefore is all the greater, considering that the bulk of the expenditure under this head, namely, Rs. 1,60,10,000, has to receive the sanction of this Assembly. It is therefore necessary that we should ask for an explanation on various items which will be found scattered all over the Demand. I appeal to Honourable Members to look at the different pages and examine these items carefully before they commit themselves to this very large grant. Turning to page 118, I should like to know what this Imperial Division at Dehra Dun is. I ask merely in ignorance and I should like to know what that item relates to. Although there are other things in those pages, I will not tire the House and I will turn on to some interesting items on page 120. Now, there is an item under the head Viceregal Estates, Furniture for Viceregal Estates, Simla, Delhi and Calcutta. A large sum of Rs. 63,000 is asked for. Along with that there is another item, Minor Works, Rs, 60,000. I thought it was a rule in the Public Works Department to class works, I believe, only under Rs. 1,000 as Minor Works. I stand to be corrected if I am wrong. I want to know whether this includes a large number of Minor Works put together or whether one Minor Works costing Rs. 60,000 is shown there. What is the necessity for this furniture in the Viceregal Estates at Simla, Delhi and Calcutta. I should like to have some explanation about that.

At page 121, Honourable Members will notice there is an entry with which Honourable Members are already familiar, *viz.*, motor bus service for the conveyance of the Government of India establishment from New Delhi to the Imperial Secretariat and back. I should like to know when this contract with the Bus Company is expiring and whether it will not be more profitable to the Government and to the employees concerned that they should be given some travelling allowance between Raisina and Delhi instead of Government incurring such a large expenditure as Rs. 1,09,000.

Again, I should like to ask for information as to what the entry Stock and Debit on account of the City Extension Scheme means. I am unable to understand it. I may be forgiven for my ignorance.

Sir, turning to page 122, I should like to ask what is the necessity for constructing this Tahsil building at Quetta. Could it not wait? Is it a new Tahsil created or is it an old Tahsil? If it is an old Tahsil, was it housed in a proper house or not, and if we cannot wait another year longer before we can have the luxury of this new house before embarking on fresh expenditure at this financial crisis.

A similar question I would ask about constructing Police Barracks at Sibi, the next item, Rs. 85,000. (*A Voice*: 'They are all works in progress.') They may wait.

Again, in reference to page 123, I should like to ask what is meant by local allowance to the Executive Engineer and in what cases local allowance is given to these Executive Engineers, why people with such high salaries as Executive Engineers should get any local allowance and on what basis this local allowance is given.

And again, on account of direction charges, I see amounts entered for various Local Governments, the Madras Government, the Bengal Government and the Bombay Government. Is this quite a new financial arrangement? Is it part of the financial arrangement or is it an adjustment of account? Why is this entry here at all? In what direction do they render any assistance to the Central Government? Some light may be thrown on this point. That remark applies to various entries which Honourable Members will find scattered over these pages, such as amount payable to the Government of Bombay, amount payable to the Bengal Government, amount payable to the Madras Government, and so on.

Again, Sir, on page 125 Honourable Members will find an entry—Allowance to Superintending Engineer, who draws the handsome salary of Rs. 25,800.

Now, Sir, an allowance for working as Secretary in a minor Local Government. Either his duties involve full time or they do not. If he has got spare time to devote, then he must be free for that time. It is because he has not enough to do that this additional duty is thrown upon him. I found in the Finance Committee several cases coming up where officers do extra duty, although they do no give us extra hours. They are paid for the hours they claim extra payment for. Here is a highly paid gentleman getting a handsome salary, who is given an extra allowance of Rs. 1,800 simply because he devotes hours which are ours, or doing a duty which is ours. Such a system ought not to continue.

If you turn to page 127, I should like to draw the attention of the House to that item 'Completion of the two unfinished barracks of the Indian Clerks' quarters.' When I was in Simla I went down to that depth and to my cost. When I got up and mounted that steep path which is provided for these poor clerks, I had no sleep for a fortnight after. It affected my heart, both literally and metaphorically. I pitied the condition of those poor Indian clerks, as they are called, stationed nearly a thousand feet below the Secretariat offices. Every day after breakfast to mount up that steep height and to go back every evening, and for them to get things from the bazar! Sir, I have gone and stayed with one or two of the people living there. Their families are wrongfully confined in those houses. They dare not come out. It is only when they go to the station from those quarters that they get out of their houses. They are afraid to go out. They have no enjoyments and are confined to their houses, unable to move out. It was a pitiable condition indeed Now, what has Government done for the Indians? Members of the Government are well acquainted with the conditions of life of our countrymen. Sir, it is a most pitiable state. I know a new road is being constructed, and that road I believe gave way before it was completed. That I saw when I was there. Not only in Dhar, but in other places in Simla. If this superfluity of the Simla exodus is to continue, I ask for fair treatment. I have communicated with the Finance Member both by word and by letter; also with the Honourable Member in charge. I want to know what steps have been taken to relieve the condition of these unfortunate clerks who really do valuable work. Not only at Dhar, but in other places they suffer the same inconveniences. I feel very strongly for them in my heart, and I hope that the heart of the Honourable Member in charge is not so stony that he will not improve the quarters of these clerks.

To my surprise, at page 131 this item creeps in: 'House Rent Allowance to Medical Establishment.' What medical establishment? This is a matter that requires investigation and explanation.

I am afraid I have tired the House. I hope I have not been irrelevant. But I respect the other benches and my colleagues to my left, and my right and back and, therefore, Sir, I shall close my remarks by drawing the attention of the House to page 132. There you will notice Ordinary Reserve

5 lakhs, Special Reserve 2 lakhs and Sundry items 10,000. But they are not content with that, Sir. Apart from the leave allowances and other allowances which you find scattered over at every place, there are leave allowances which cannot at present be allocated to any particular province, voted 2,000 and non-voted 16,000. Sir, the item which cannot be allocated to any province is classified as voted and non-voted and the majority is of non-voted. That is rather a remarkable feat on which I congratulate the Honourable the Finance Member and his able Assistants.

**Mr. Darcy Lindsay:** Sir, I do not, like my Honourable friend, Mr. Rangachariar, propose to weary the House by going page by page through the various items in this Demand. What I desire to draw the attention of the House to is what appears to me as a somewhat wasteful system of not allowing the Public Works Department to carry forward into the next year the remaining balance of their grant. I also refer to the injury done to the Department by the delay in notifying to them the amount of the grant which has been made. Dealing with this latter subject, I quote here from a letter issued by the Honourable Mr. Cook, dated the 3rd of December, 1921, in which he states that even under the present arrangements, under which the Budget as a whole is passed by the Legislature before the commencement of the new year, it is in many cases not possible to communicate grants to disbursing officers till some months after the new year have elapsed. Now, Sir, it will be the 1st of April probably before we pass this Budget. Some months elapse and we are well into the monsoon. It is an acknowledged fact that much of the work of this Department is carried on during the dry season and during the rainy season they have to stop many of their works. What follows, Sir, is that there are very few months of the year out of the 12 left to them to expend the grant, and I believe I am not incorrect in stating that, as the year proceeds and we arrive in the months of February and March, it takes the unhappy Chief Engineer all his ingenuity to arrange for the expenditure of that balance. It is a common talk, Sir, in the Department and out of the department that there is very considerable waste, that the department places large orders for stores that are really not required and for that reason I referred to the Chief Engineer as an unhappy officer. If he had only had the right to carry forward the unexpended balance into the following year, he would be able to make most excellent use of it during the few months before the monsoon started. Now, Sir, the same complaint applies to the railway system. And I would ask the Finance Member to make such arrangements whereby both the Public Works Department and the railway system received permission—immediate permission—on the passing of the Budget to a certain expenditure. My Honourable friend, Mr. Cook, in his very valuable letter, which had reference to changing the date of the financial year to the 1st of January, suggests that it might be possible to allow the disbursing officers to incur expenditure on standing charges in the first few months, to the extent to which they are authorised by the previous Budget. Now, Sir, I maintain that, if the officer in charge of the Department had permission to carry forward his balances, this would not be necessary. Again I commend to the Honourable the Finance Member that he should so arrange that all unexpended balances be carried forward and the officer should not be held to blame for having budgeted for more than he was able to expend in that official year.

**Colonel Sir Sydney Crookshank:** Sir, I do not suppose that the House will expect me to reply at length at this late stage . . . .

**Rao Bahadur T. Rangachariar:** We do expect you to reply.

**Colonel Sir Sydney Crookshank:** Very well, Sir, I will do so, as far as I can. Before getting on to the numerous points brought forward by my Honourable friend, Mr. Rangachariar, I would remark incidentally with reference to what my Honourable friend, Mr. Darcy Lindsay, said . . . .

**Rao Bahadur T. Rangachariar:** If my Honourable friend wants to have time, we will not object, but I want a reply to all my points.

**Colonel Sir Sydney Crookshank:** I was about to deal with the point brought forward by Mr. Lindsay . . . .

**Dr. H. S. Gour:** May I ask Sir Sydney Crookshank how long he will take, because if he is going to be long, it will be necessary for me to move for an adjournment.

**Colonel Sir Sydney Crookshank:** I really cannot say. As I was saying . . . . .

**The Honourable Mr. B. N. Sarma:** We will all have to speak.

**Dr. H. S. Gour:** How long will you take?

**The Honourable Mr. B. N. Sarma:** I do not know. It has been rather a vehement attack that has been made on us.

**The Honourable Sir Malcolm Hailey:** I shall speak also for about 20 minutes.

**Rao Bahadur T. Rangachariar:** If it will suit the Government Benches to adjourn, it will suit Honourable Members on this side, and it will suit the general convenience of the House.

**The Honourable Sir Malcolm Hailey:** If an answer is required from the Government, I can but give exactly the same answer as before, that we are entirely at the disposal of the House. We all know that a Budget is a matter which 'goeth not forth but by much prayer and fasting!' We are quite prepared for any amount of prayer and fasting.

**Dr. H. S. Gour:** I move, Sir:

'That the consideration of this Demand be adjourned till half past ten to-morrow morning.'

(Cries of 'No no; not half past ten'.) Very well then, till 11 o'clock to-morrow morning.

**Mr. Deputy President:** The question is:

'That the consideration of this Demand be adjourned till 11 o'clock to-morrow morning.'

The motion was adopted.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Saturday, 18th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE BUDGET—LIST OF DEMANDS.

CIVIL WORKS—INCLUDING EXPENDITURE IN ENGLAND—*concld.*

**Mr. President:** The debate will now be resumed on the question:

'That a sum not exceeding Rs. 1,60,10,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Works—including Expenditure in England".

A motion has been moved:

'That the demand under head 'Civil Works—including Expenditure in England' be reduced by Rs. 8,01,750.'

**Colonel Sir Sydney Crookshank** (P. W. D. Secretary): When the House adjourned at a late hour last night I was about to reply to . . . .

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): Perhaps, Sir, it will do if, for economy of time, I do not press for an answer to all my points. (Laughter.)

**Colonel Sir Sydney Crookshank:** Sir, I was proceeding to inform the House that I was going to reply to the avalanche of criticisms which were hurled at the head 'Civil Works' by my respected friend, Mr. Rangachariar. I shall reduce my replies as much as possible. Before I get to work on those criticisms, I would desire to reply to the question put to me, or perhaps rather more to the Finance Department, in the matter of lapses in P. W. D. grants at the close of the financial year.

In this respect I should like to correct my Honourable friend when he said that the P. W. D. have very little work to do during the rains. It is true that the building works are put off then to a certain extent during that season of the year but that is the time when all the road work is done, and consequently there is a fairly uniform flow of work throughout the year. Now, as far as the P. W. D. is concerned, we would welcome the abolition of the lapses at the end of March each year. Under the capital head it is a comparatively simple matter. I understand, for example, that in the new Railway loan of Rs. 150 crores the capital account will be kept open. In the case of the capital account for New Delhi Works, what we do there is to provide for a minus reserve of a large sum which will be found under that Demand and this has, practically speaking, the same effect. Under the revenue head of course it is a very different matter and the Finance Department would find themselves in difficulties if they did not know how the various heads of account would be affected, the Public Works Department being only one of the many Departments which are concerned. Possibly, some such arrangement as we have under New Delhi by which we establish a minus reserve would to a certain extent meet the situation.

And now, Sir, to revert to my Honourable friend, Mr. Rangachariar's criticisms. He started off by making a remark that last year's revised estimates amounted to Rs. 147 lakhs whereas this year's revised estimates amount to Rs. 162 lakhs. The actual figures are 159 for last year and 162 for this year, so that the difference is really only 3 lakhs in excess which is insignificant and it is really nothing like enough to provide for the required expenditure on account of the heavy depreciation on buildings and the rapid deterioration of roads.

At page 117 of the Demands against the entry English Stores he remarked on the difference between the figures of Rs. 99,000 and Rs. 3,32,000 for 1921-22 and 1922-23, respectively. But if a reference is made to page 119, it will be seen that it is really a matter of adjustment against an item of Rs. 3 lakhs entered in the eighteenth and twentieth columns, which is practically an addition to the Public Works Department reserve. So that the comparison is between Rs. 99,000 and Rs. 32,000 only.

The next item was that of furniture on page 120 under Viceregal Estates. That is the ordinary repairs grant for the whole of the expenditure on the upkeep of furniture for the Viceregal Estate in Simla, Mashobra, Dehra Dun, Belvedere and Delhi. It is an increase of Rs. 21,000 over last year which has been sanctioned by the Secretary of State on account of the very much higher cost of keeping the furniture in repair now-a-days to what it was when the grant of Rs. 42,000 was originally fixed.

**Rao Bahadur T. Rangachariar:** May I know what was the amount spent during the visit of His Royal Highness for renewing the furniture ?

**Colonel Sir Sydney Crookshank:** There were special grants under the Royal visit account.

**Rao Bahadur T. Rangachariar:** They should have improved the furniture then.

**Colonel Sir Sydney Crookshank:** The furniture required specially for the Royal visit was provided for from the Royal visit funds.

**Rao Bahadur T. Rangachariar:** All that furniture will now be available for His Excellency's rooms, I suppose ?

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Mr. Rangachariar says that that furniture could be utilised for Viceregal Lodge.

**Colonel Sir Sydney Crookshank:** Any benefits there may be will be adjusted against this item here during the course of next year by credit to the Royal visit account which is kept separate.

Then, Sir, Mr. Rangachariar referred to 'Minor Works' on the same page. You will find there that right through this Demand 'Civil Works', these same items appear and they are lump sums in each case for all the minor works under Rs. 10,000 apiece. They are not specified in detail, because it does not appear to be necessary to do so.

Attention was then drawn to the item of allowances, honoraria, etc., at page 121 and on various pages throughout the Demand. The word 'Honoraria' does not necessarily mean that honoraria are going to be given broadcast to Public Works Department officers. No such good fortune. It is only a term and the heading provides for all the local and duty allowances, grain compensation allowances, travelling and scarcity allowances which are given in various localities for different reasons sanctioned by the Government of India.

The Imperial Division at Dehra Dun is a division which was specially created for the construction of the Forest Research Institute at Dehra Dun and the Royal Indian Military College which has recently been opened by His Royal Highness the Prince of Wales. The revenue establishment referred to under this head consists of patwaris and menials who do the assessment and collection of revenue on the Research Institute Estate until such time as the buildings are erected, and I may add they are collecting for us a very good profit in the meanwhile. The credit for new Capital is merely an adjustment on account of the percentage charges on a joint establishment. I have no remarks to make under head 'Baluchistan' other than that these are works in progress and that it would be most uneconomical to shut them down in their present state as they will deteriorate rapidly and compensation would have to be paid.

The next item to which Mr. Rangachariar referred was, I think, about the contribution to the Madras Government on account of direction charges under Coorg. This is paid to the Madras Government for supervision overhead charges and for the higher technical advice which is given to the Chief Commissioner as and when required. As I pointed out yesterday, we hope in due time to transfer the whole execution and supervision of the Public Works Department works in Coorg to the Government of Madras.

Then my Honourable friend referred to the allowance paid to the Superintending Engineer under head 'Rajputana' on page 125. It is merely a secretariat allowance to the Superintending Engineer which is given under the provisions of Public Works Department Code, paragraph 10.

Mr. Rangachariar then made a very pathetic, and very rightly so, reference to the lack of a lift from the Government clerks' quarters at Dhar in Simla up to the Ridge. I may inform him that the Public Works Department have already put this into practical shape and form by getting out a project which amounts to Rs. 8,500 for a particular railway which would have been constructed this year had it not been one of the numerous items of New Works amounting to Rs. 133 lakhs which have been cut out of the Budget.

Reference was also made to the cost of the Raisina Bus service, and rightly too. The item referred to here is Rs. 1,09,000 at page 121. This is certainly a very high figure, but it is the best we could do in the circumstances, and it would not be possible, as I informed Sir Deva Prasad Sarvadhikary not very long ago, to make a tramway, because not only would the cost be very great but the roads have not yet been properly aligned. If we were to give travelling allowance instead of providing Bus transport, not only would these allowances amount to a very large sum of money, but they would also be very unsatisfactory because there are probably not enough tongas and such like vehicles to go round and consequently there would be great competition. I fancy that there would be a great deal of complaint both by the clerks themselves and by their offices when the clerks did not turn up to office in time.

One other item which I think I should refer to is the Public Works Department reserve on page 132 There are two items of Rs. 5 lakhs and Rs. 2 lakhs, respectively. The 5 lakhs should in reality be 8 lakhs as I have pointed at the commencement of my address, this being the usual amount. This is the reserve which we keep in hand for meeting immediate and unforeseen demands made during the course of the year and also for meeting the less expenditure payments which come forward from the previous year. All payments from this reserve are made with the sanction of the Finance Department and I think in most cases also of the Standing Finance Committee. The special reserve is kept in hand till the month of October to meet demands on account of damage by rain during the monsoon and the late and urgent demands coming in towards the close of the year.

I forgot to refer to the medical establishment which I think will be found under the head 'Central India'. This is a charge for a special medical establishment which is entertained on a large work in progress in an out of the way locality. It is necessary to provide for the treatment of accidents and sickness on the spot of the workmen which the Public Works Department and the contractors have engaged and the Public Works Department have to pay the charges. Sir, in conclusion, I will point out that all the credits to the Madras, Bombay and other Governments are for the establishment percentage charges on account of work done by them. We have no establishment with which to carry out the works ourselves. We therefore hand them over to these Governments with their permission, and they carry out our works and repairs and charge us the ordinary percentage charges current for the year. These for example would be for as follows: Military Works 24½ per cent.; Bengal, United Provinces and the Punjab 21, 12 and 18 respectively; Burma, Bombay, Bihar and Orissa, Central Provinces, Assam and Madras 23 per cent.; North-West Frontier Province 16½ per cent. and Delhi 8½ per cent.

Sir, in this matter of Civil Works, the Public Works Department is placed in the unfortunate predicament of being between the devil and the deep sea. A large estimate was prepared for the work of the following year. In this case it amounted to no less than 341·69 lakhs. But in order to help the Finance Department in the extremely difficult situation in which they were placed, all Departments combined to reduce their demands on Civil Works to the utmost and the estimates for the year 1922-23 amounting to Rs. 162 lakhs are the bed-rock estimates which we can work to next year with any degree of satisfaction. They do not, even as they are, provide for the very heavy deterioration of the roads and the depreciation on the buildings which has been going on now for a number of years and which must be arrested and made good unless we are prepared to meet very much heavier charges in the future.

**Mr. Darcy Lindsay** (Bengal: European): Sir, my Honourable friend, Sir Sydney Crookshank, has not dealt with the point I have raised as to early intimation being given to this Department that the grant applied for has been either sanctioned or reduced or refused.

**Dr. H. S. Gour:** He has not also replied to the point which I raised last night and of which I again reminded him this morning about the expenditure of Rs. 31 lakhs on the North-West Frontier Province under the head 'Civil Works'.

**Colonel Sir Sydney Crookshank:** Sir, dealing with the point raised by my Honourable friend, Dr. Gour, I would draw his attention to the fact that these are all works in progress. There are no new works whatever under this demand. The necessity for these works cannot be fully explained in the Public Works Department, which of course merely carries out the work for other Departments, but I would emphasize here that any attempt to cut down this grant will mean compensation to contractors which would probably land us in far greater expenditure in the long run.

**Mr. N. M. Samarth** (Bombay : Nominated Non-Official) : I quite see, Sir, that no curtailment of expenditure is possible in regard to works which are in progress. But I really do not know why in this year of financial stringency, Government are undertaking new works. I invite attention to page 124 where there is an item of Rs. 1,15,000 for the extension of the Test House at Alipore, and on page 130 Rs. 1,00,000 is put down for new works, *viz.*, building for the School of Mines and Geology at Dhanbad. Surely, these new works and new buildings can await until our finances are in a prosperous condition. I do not object to any repairs being done or to any works in progress being taken in hand. Without interfering with the items for repairs, namely, Rs. 64,50,0 0 and without interfering with the items for works in progress, I submit that these new works need not be taken in hand and so much money may be saved. At the same time, it will be found that there is an item of Rs. 1,02,000 for suspense account on page 117 and a Reserve of Rs. 7,00,000, which is explained on page 132 as Reserve with the Government of India, Public Works Department, for unforeseen expenditure. Surely this House is not going to know in what way that item is placed before us as unforeseen expenditure, that is to say, unforeseen even by the Government or by the Department that has brought this estimate. I submit, therefore, that there is room for much more reduction than Rs. 8,01,750 which is the reduction proposed under this head, and consequently, I strongly support this reduction.

**The Honourable Mr. B. N. Sarma** (Revenue and Agriculture Member) : Sir, the Honourable Sir Sydney Crookshank had already explained to the House that the Local Administrations and the various Departments of the Government of India have sent up estimates amounting to no less than Rs. 340 lakhs, which were scrutinised in our Department, cut down ruthlessly, sent up to the Finance Department, and still further pruned there, and the net result is what appears against the head under consideration. The Honourable Mr. Rangachariar with his usual dialectic skill, acquired from considerable experience at the Bar, has tried to captivate the imagination of the House and has impressed upon them that somehow it is possible to effect a retrenchment of Rs. 8 lakhs in this estimate without any further danger to the Public Works buildings and roads in the various administrations under the control of the Government of India. I shall first of all deal with the question of new works to which Mr. Samarth alluded. The Rs. 1,15,000 that is provided in Bengal seems to me to be a more important item than any other for this reason that if you wish to Indianise your purchases, if you wish to have proper tests applied, you must provide the means therefor, and I think this important work has not been undertaken too early at all.

It has been postponed far too long. Of course, my Honourable friend, Mr. Innes, will further speak to it, with what great difficulty he has been able to secure the admission of this entry under the head of 'Civil Works'. With regard to the other sum of Rs. 1 lakh, I am surprised that Mr. Samarth should say that all new works should be stopped. I think he could not have heard Mr. Chatterjee when he spoke yesterday and I think it would be a deplorable blunder if we cut down this amount. The pity of it is that more money could not be found for this School of Mines, because unless you construct a building for the school of mines you cannot teach boys. You cannot utilise the officer who is already there and the great progress in mining enterprise to which we are looking forward will be delayed still further by at least one year if you are to cut down that expenditure.

**Mr. N. M. Samarth :** Before buildings are built, let students be sent abroad for training and education in that subject.

**The Honourable Mr. B. N. Sarma :** That is a policy against which the House set its face. Then we come to the question of repairs. Mr. Samarth has no objection and I am glad he has seen that it is impossible to make any curtailment there. It is true that against the 51 lakhs of last year we have made a provision of 64 lakhs this year. But what is the reason for it? Honourable Members will notice, if they have read the literature of the previous years that during the war every item has been starved. Expenditure which was being reasonably incurred, and perhaps unreasonably incurred according to some, in the repairs of roads, was starved because money was not forthcoming. The cost of labour, and the price of materials have gone up by more than 50 per cent. So a crore and 20 lakhs which might have sufficed before the war would not suffice now and a crore and 80 lakhs would be required now to do exactly the same kind of work.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars : Landholders) : It is going down now?

**The Honourable Mr. B. N. Sarma:** Both the cost of labour and the price of materials are now on the whole at least 50 per cent. more than what they were before the war. I wish it were less. Then, the point is that in 1920-21, the Government of India found themselves compelled owing to previous curtailments to provide a sum of not less than a crore and 99 lakhs, but unfortunately last year was a bad year and we had to cut it down. What are the complaints received by us from the various departments and administrations? I will read one from Baluchistan:

'The climatic conditions of Baluchistan—intensely dry heat and little rain—are unfavourable to the upkeep of all roads in an unusual degree. It is impossible to maintain as in Egypt roads built up out of soft soil. Even hard metal becomes friable and disintegrates in a short time unless the road surface is occasionally watered and rolled, but the curtailment of repair grants has caused this essential measure of preservation to be abandoned during recent years. The general result is a very rapid deterioration of many miles of this most valuable Government property. Once deterioration of the road surface has passed beyond a certain limit, as in this case, it is no longer a question of repair. The whole road has then to be dug up, soled and metalled. The cost of these operations is now calculated to amount to not less than Rs. 5 lakhs for the portions which have become too bad for normal repairs.'

Here is another specimen from the Chief Commissioner of Delhi.

'This is necessary to provide for the renewal of the surfaces of a number of roads which for want of funds have not been properly repaired for the last 4 years with the result that the soling coats are in many places becoming exposed.'

The same story may be repeated with reference to several others also. Therefore Honourable Members will find that it is impossible to curtail the grant under repairs either. The rest are mere items of adjustment with regard to what we have to contribute to the various provincial Governments and others which do work on behalf of the Government of India for which we have to pay establishment charges. For instance, the Government of India owns property in Bombay, Bengal, and so on and has to repair the works or add to them. Then the Public Works Department there undertakes the work and we have to contribute the cost thereof. Those are items which cannot be curtailed at all. It depends upon the amount of work we turn out in any particular year and the total cost of labour and material which Honourable Members will remember has gone up to a certain extent. Then objection has been taken on the ground that there are other items to which we can look for some relief. One of them is the suspense account of a lakh and two thousand to which reference has been made. Honourable Members will find from the explanation given in last year's memorandum that this is nothing but the contribution which would have to be paid by the administration for work undertaken on their behalf. Therefore it is a mere question of adjustment. It is a mere question of entry and I do not think therefore anything can be saved under that item either. Then further reference has been made to honoraria, etc., and naturally the House thought that the Government were very extravagant in paying such high amounts to these officers, but I may point out, as has already been done by Sir Sydney, that a very large portion of this item includes travelling allowance. No less a sum than Rs. 40,000 and odd out of Rs. 50,000 shown under the head of allowances, honoraria, etc., is travelling allowances in Rajputana. So Honourable Members will find, if they scrutinise item by item, that a large portion of this item is for travelling allowance to a certain extent, grain compensation allowance which nobody would grudge for a single minute and so on. The honoraria that are paid are very very small. I would impress on Members again that it is sometimes felt by the Government of India to be a most desirable and economical arrangement to induce their officers to undertake slightly extra work where otherwise they would have to appoint another officer to do the same work, if the work is not legitimately part of the functions which are assigned to a Superintending Engineer, to an Executive Engineer or an Assistant Engineer. Some extra work has to be undertaken and it is found convenient, and we thereby save lots of money, to ask an officer to undertake this extra work by paying him a very very small sum.

**Rao Bahadur T. Rangachariar:** It is a very vicious principle.

**The Honourable Mr. B. N. Sarma:** The officer does this extra work without prejudice to his work or his efficiency. The officers above him will exact the usual amount of work which he has to discharge in the pursuance of his normal duties and certainly if he goes wrong he will be taken to task. I do not think, therefore, that anything can be saved under that head either. I submit, therefore, that Honourable Members may look for retrenchment in other directions but not here. Here we have cut expenditure down as far as we could. Any further reduction would result in a deterioration of roads leading to greater expenditure hereafter or stopping some works, which would not merely impair efficiency, that is a separate matter altogether, but would render impossible the evolution of schemes of educational advancement without

the antecedent and ancillary expenditure being undertaken, in the shape of buildings and so on, and, if you starve that, you would . . . .

**Rao Bahadur T. Rangachariar:** What about the item, the unforeseen item, of 7 lakhs?

**The Honourable Mr. B. N. Sarma:** I may tell Honourable Members that we have cut it down as far as we could. They will find that the normal expenditure, as shown assigned, is about Rs. 2½ lakhs; Rs. 21,47,700 for instance last year.

**Rao Bahadur T. Rangachariar:** May I ask was there an estimate for this unforeseen expenditure?

**The Honourable Mr. B. N. Sarma:** I do not see how there could be an estimate for unforeseen expenditure. There is a sudden flood—there is a flood which suddenly carries everything away; you don't foresee the flood; for instance telegraph officers in Rawalpindi last year complained that it was impossible for them to secure accommodation and that they would all have to leave unless some provision is made for building there; and items of that description occur,—and I think that the sum provided for here is only Rs. 2 lakhs.

(*A Voice*: 'No, no, 7 lakhs.')

**The Honourable Mr. B. N. Sarma:** Seven lakhs for the whole. That is, for unforeseen expenditure as well as for items kept in reserve.

(*Voices*: 'No, no.')

**Mr. N. M. Samarth:** For unforeseen expenditure the whole lot.

**The Honourable Mr. B. N. Sarma:** I beg your pardon, it is not 'unforeseen' merely. Part of it is included in it, part of it is kept in reserve for items under which there may be an excess.

*An Honourable Member:* It is not merely a question of excess.

**The Honourable Mr. B. N. Sarma:** You have to keep some reserve. Well, a lump sum grant. It used to be 10 lakhs and it was reduced to 7 lakhs. Previously it used to be Rs. 25 lakhs, now it is reduced, and so even there you may be sure that the Finance Department has not been particularly favourable to us. I may point out again that if the Government of India had not been driven to such cruel straits, the Honourable Member's point with regard to the convenience to be provided for Dhar would have been provided. We did all we could, but our difficulties can be imagined when even that extremely necessary item had to be omitted. But I may assure the Honourable Member that this representation will not go unheeded, and I have every reason to hope that the Government of India will somehow be able to undertake this work during the next year, and that this is an item which they must undertake at the earliest possible date. I can give that assurance.

**Mr. Manmohandas Ramji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Why is the amount provided for under the head 'New building' not charged to capital account; why to revenue account—this Rs. 3,40,000?

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Why charge to revenue the new buildings, the new works?

**Mr. President:** Order, order.

**The Honourable Mr. B. N. Sarma:** As to these educational institutions, I should like to point out that the cost has been provided for hitherto out of revenue, and we should be introducing a new principle and departing altogether from established practice if we debited this to the capital account, and I think it would be rather an unfortunate position.

**Mr. N. M. Samarth:** Why do you penalise the present generation for the benefit of future generations, by debiting this to the revenue account? Why do you penalise the present generation for works from which future generations will benefit?

**The Honourable Mr. B. N. Sarma:** I do not think that the buildings you are going to provide with this one lakh or two lakhs would last more than a generation, and therefore the present generation I think may properly bear the cost. (Laughter.)

**Mr. President:** The question is:

**'That the demand under head 'Civil Works—including Expenditure in England be reduced by Rs. 8,01,750.'**

The Assembly then divided as follows :

AYES—56.

| | |
|---|---|
| Abdul Majid, Shaikh. | Latthe, Mr. A. B. |
| Agarwala, Lala G. L. | Mahadeo Prasad, Munshi. |
| Agnihotri, Mr. K. B. L. | Manmohandas Ramji, Mr. |
| Ahmed, Mr. K. | Man Singh, Bhai. |
| Aiyer, Sir P. S. Sivaswamy. | Misra, Mr. B. N. |
| Asjad-ul-lah, Maulvi Miyan. | Misra, Mr. P. L. |
| Ayyangar, Mr. M. G. M. | Mudaliar, Mr. S. |
| Ayyar, Mr. T. V. Seshagiri. | Mukherjee, Mr. J. N. |
| Bagde, Mr. K. G. | Nag, Mr. G. C. |
| Bajpai, Mr. S. P. | Nand Lal, Dr. |
| Barodawala, Mr. S. K. | Nayar, Mr. K. M. |
| Barua, Mr. D. C. | Neogy, Mr. K. C. |
| Bhargava, Pandit J. L. | Pyari Lal, Mr. |
| Bishambhar Nath, Mr. | Rangachariar, Mr. T. |
| Chaudhuri, Mr. J. | Reddi, Mr. M. K. |
| Cotelingam, Mr. J. P. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Sarfaraz Hussain Khan, Mr. |
| Gajjan Singh, Sardar Bahadur. | Schamnad, Mr. Mahmood. |
| Ginwala, Mr. P. P. | Shahab-ud-Din, Chaudhri. |
| Girdhardas, Mr. N. | Shahani, Mr. S. C. |
| Gour, Dr. H. S. | Singh, Babu B. P. |
| Gulab Singh, Sardar. | Sinha, Babu Adit Prasad. |
| Hussanally, Mr. W. M. | Sinha, Babu Ambika Prasad. |
| Iswar Saran, Munshi. | Sinha, Beohar Raghubir. |
| Jamnadas Dwarkadas, Mr. | Srinivasa Rao, Mr. P. V. |
| Jatkar, Mr. B. H. R. | Subrahmanayam, Mr. C. S. |
| Joshi, Mr. N. M. | Subzposh, Mr. S. M. Z. A. |
| Lakshmi Narayan Lal, Mr. | Thackersey, Sir Vithaldas D. |

NOES—38.

| | |
|---|---|
| Abdul Quadir, Maulvi. | Kabraji, Mr. J. K. N. |
| Abdul Rahim Khan, Mr. | Kamat, Mr. B. S. |
| Aiyar, Mr. A. V. V. | Lindsay, Mr. Darcy. |
| Amjad Ali, Maulvi. | Mitter, Mr. K. N. |
| Bijlikhan, Sardar G. | Muhammad Hussain, Mr. T. |
| Bradley-Birt, Mr. F. B. | Mukherjee, Mr. T. P. |
| Bray, Mr. Denys. | Percival, Mr. P. E. |
| Bryant, Mr. J. F. | Rao, Mr. C. Krishnaswami |
| Chatterjee, Mr. A. C. | Renouf, Mr. W. C. |
| Clarke, Mr. G. R. | Rhodes, Mr. C. W. |
| Crookshank, Sir Sydney. | Sapru, the Honourable Dr. T. B. |
| Dalal, Sardar B. A. | Sarvadhikary, Sir Deva Prasad. |
| Dentith, Mr. A. W. | Sharp, Mr. H. |
| Faridoonji, Mr. R. | Spence, Mr. R. A. |
| Fell, Sir Godfrey. | Vincent, the Honourable Sir William. |
| Habibullah, Mr. Muhammad. | Waghorn, Colonel W. D. |
| Hailey, the Honourable Sir Malcolm. | Way, Mr. T. A. H. |
| Hullah, Mr. J. | Webb, Sir M. dePomeroy. |
| Innes, the Honourable Mr. C. A. | Zahiruddin Ahmed, Mr. |

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 1,52,08,250 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Works—including Expenditure in England'.'

The motion was adopted.

CIVIL WORKS—CIVIL.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 44,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Works –Civil'.'

**Rao Bahadur T. Rangachariar:** Sir, I move:

'That the demand under head 'Civil Works—Civil' be reduced by Rs. 2,200.'

**Colonel Sir Sydney Crookshank:** Sir, I might perhaps explain to the House that these are very small items on account of expenditure for the upkeep of the Residencies in Mysore and Gwalior, and for the maintenance of boundary pillars in Seistan, establishment charges in Sikhim and Bhutan and similar minor charges. I hope that, seeing they are so small, the Democratic Party will not impose this five per cent. reduction and will pass this grant as it stands.

**Mr. President:** The question is that, that reduction be made.

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 41,800 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Civil Works– Civil'.'

The motion was adopted.

SUPERANNUATION ALLOWANCES AND PENSIONS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 20,73,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Superannuation Allowances and Pensions'.'

The motion was adopted.

STATIONERY AND PRINTING—INCLUDING EXPENDITURE IN ENGLAND.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 67,34,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stationery and Printing—including Expenditure in England'.'

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): Sir, may I inquire if this item also includes expenditure on behalf of the Military Department, and, if so, why it is not shown under the Military Budget?

**Mr. N. M. Joshi** (Nominated: Labour Interests): Sir, I beg to move:

Foreign Department Press.

'That the demand under the sub-head 'Foreign Department Press' be omitted.'

Sir, the Government of India have got very good and big presses for the whole of the administration. I do not know why the Foreign and Political Department should have a printing press of its own. It may be said that the work of the Foreign and Political Department is of a confidential character, but that does not prove that there should be a separate press altogether. In the Central Presses themselves they can have a small branch and call it a Confidential Branch and that branch will be as useful as a separate printing press. A separate printing press means separate staff for supervision. I therefore feel that this expenditure need not be incurred and this item can be omitted without any inconvenience to the Foreign and Political Department. It seems that the Foreign and Political Department, being connected with the States and Foreign Departments, should have some dignity of its own and I feel that an independent press is only intended to show that dignity. There is no other use of that press and the item can be very well omitted.

**Mr. A. C. Chatterjee** (Industries Secretary): Sir, Mr. Joshi, as a Member of the Standing Finance Committee, is aware that an officer is now engaged in making a special inquiry into the possibilities of economy in the printing departments of the Government of India and the organisation of the different presses, and this is one of the items of inquiry that he is conducting. The question of the Foreign and Political Department Press had been considered in another connection by the Standing Finance Committee and on that occasion we had said that the matter was already under examination.

**Mr. N. M. Joshi:** In anticipation of the results of that inquiry, you may drop the item altogether.

**Mr. President:** The question is:

'That the demand under head 'Stationery and Printing—including Expenditure in England' be reduced by Rs. 41,740 in respect of the Foreign Department Press.'

The Assembly then divided as follows:

AYES—57.

| | |
|---|---|
| Abdul Majid, Shaikh. | Kamat, Mr. B. S. |
| Abdul Quadir, Maulvi. | Lakshmi Narayan Lal, Mr. |
| Agarwala, Lala G. L. | Latthe, Mr. A. B. |
| Agnihotri, Mr. K. B. L. | Mahadeo Prasad, Munshi. |
| Ahmed, Mr. K. | Manmohandas Ramji, Mr. |
| Aiyer, Sir P. S. Sivaswamy. | Man Singh, Bhai. |
| Asjad-ul-lah, Maulvi Miyan. | Misra, Mr. B. N. |
| Ayyangar, Mr. M. G. M. | Misra, Mr. P. L. |
| Ayyar, Mr. T. V. Seshagiri. | Mudaliar, Mr. S. |
| Bagde, Mr. K. G. | Mukherjee, Mr. J. N. |
| Bajpai, Mr. S. P. | Nag, Mr. G. C. |
| Barodawala, Mr. S. K. | Nand Lal, Dr. |
| Barua, Mr. D. C. | Nayar, Mr. K. M. |
| Bhargava, Pandit J. L. | Neogy, Mr. K. C. |
| Bishambhar Nath, Mr. | Pyari Lal, Mr. |
| Chaudhuri, Mr. J. | Rangachariar, Mr. T. |
| Cotelingam, Mr. J. P. | Reddi, Mr. M. K. |
| Dalal, Sardar B. A. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Sarfaraz Hussain Khan, Mr. |
| Ginwala, Mr. P. P. | Sarvadhikary, Sir Deva Prasad. |
| Girdhardas, Mr. N. | Schamnad, Mr. Mahmood. |
| Gour, Dr. H. S. | Shahani, Mr. S. C. |
| Gulab Singh, Sardar. | Singh, Babu B. P. |
| Hussanally, Mr. W. M. | Sinha, Babu Ambica Prasad. |
| Iswar Saran, Munshi. | Sinha, Beohar Raghubir. |
| Jamnadas Dwarkadas, Mr. | Srinivasa Rao, Mr. P. V. |
| Jatkar, Mr. B. H. R. | Subrahmanayam, Mr. C. S. |
| Jejeebhoy, Sir Jamsetjee. | Subzposh, Mr. S. M. Z. A. |
| Joshi, Mr. N. M. | |

NOES—33.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Kabraji, Mr. J. K. N. |
| Aiyer, Mr. A. V. V. | Keith, Mr. W. J. |
| Amjad Ali, Maulvi. | Lindsay, Mr. Darcy. |
| Bijlikhan, Sardar G. | Mitter, Mr. K. N. |
| Bradley-Birt, Mr. F. B. | Muhammad Hussain, Mr. T. |
| Bray, Mr. Denys. | Mukherjee, Mr. T. P. |
| Bryant, Mr. J. F. | Rao, Mr. C. Krishnaswami. |
| Chatterjee, Mr. A. C. | Renouf, Mr. W. C. |
| Clarke, Mr. G. R. | Rhodes, Mr. C. W. |
| Crookshank, Sir Sydney. | Sapru, the Honourable Dr. T. B. |
| Dentith, Mr. A. W. | Shahab-ud-Din, Chaudhri. |
| Faridoonji, Mr. R. | Sharp, Mr. H. |
| Fell, Sir Godfrey. | Vincent, the Honourable Sir William. |
| Habibullah, Mr. Muhammad. | Waghorn, Colonel W. D. |
| Hailey, the Honourable Sir Malcolm. | Way, Mr. T. A. H. |
| Hullah, Mr. J. | Zahiruddin Ahmed, Mr. |
| Innes, the Honourable Mr. C. A. | |

The motion was adopted.

**Mr. S. C. Shahani:** I beg to move:

General Reduction. 'That the demand under head 'Stationery and Printing' be reduced by Rs. 3,37,300.'

I notice that last year the Government were able to reduce their expenditure under this head by sixteen lakhs by effecting economy on account of a fall in prices, as stated in a footnote here. I trust that the Government will be able to reduce their expenditure further by Rs. 3,37,300. I would in this connection suggest that it would probably pay Government to manufacture their own paper. A Government factory for manufacturing paper for their own use would occasion a pioneer industry, would furnish a training ground for the people of India, and would not run counter to established interests.

**Mr. N. M. Joshi:** I think that a reduction of this grant by the amount suggested will not inconvenience the Government of India at all. The Government of India have been in the habit of getting things printed without any really necessary reason. As a member of the Standing Finance Committee I have seen several letters printed, which, in my humble opinion, were not necessary to be printed. There are ten Members of the Standing Finance Committee, and I take it that the Department wanted five more copies. I have some experience of printing work, and can say that it does not pay to print 15 or 20 copies. I still find Government Departments printing letters and memoranda when they want even 15 or even less number of copies. Sir, I ought to have said that when I spoke of the Foreign and Political Department Press that all memoranda that came before us from the Foreign and Political Department were printed . . . .

**Mr. President:** The question of the Foreign and Political Department Press does not now exist, as far as we are concerned.

**Mr. N. M. Joshi:** My object in saying that was that, whenever you have a printing press ready to hand, you don't mind incurring expenditure. Moreover, I learn that all records in the Government of India are printed. They think that the records of the Government of India must be in printed form, and whenever their cases are finished, the records are sent for printing, in order that they should be kept in proper order. (*A Voice from the Government Benches:* 'No, no.') My information may be incorrect, and I am willing to be enlightened. I feel, therefore, that especially in the matter of printing, the Government of India can economise a good deal, and will not feel any inconvenience by the reduction of this demand.

**Mr. R. A. Spence** (Bombay: European): I should like to congratulate the Government of India on having been able to do more than they had to do in this Department last year. We cut them, on the motion of Sir Frank Carter, ten lakhs, and they have been able to reduce expenditure under this head by 50 per cent. more. I think this is a good omen, that despite the cuts of the Democratic Party, amounting only to the modest sum of 5 per cent., Government have shown us that they are going to retrench in every possible way, and have greatly exceeded the 5 per cent. which the Democratic Party want. Therefore, in view of the fact that Government retrenched last year a little bit more than we wanted them to do, and as they have promised to retrench further, we can leave it to them without the Democratic axe coming into play.

I notice that under Stationery Stores, Purchase of Paper, there is a sum of Rs. 53 lakhs. Last September in Simla the Honourable Mr. Chatterjee informed me that 90 per cent. of the paper required for the Government of India was manufactured in India. I should like to know that that is still the case and that every step is being taken to develop the paper industry in this country.

**Sir Deva Prasad Sarvadhikary:** I want to raise a general question in this connection. I believe the present practice is to allow Rs. 18 or thereabouts per head to officers for stationery. That is not a small sum. Even if that sum is necessary I think that by suitable decentralization and co-ordination much greater economy can be effected. If in regard to large items like paper this cannot be conveniently done, there may be a contract and indent system on some accepted basis; with regard to smaller items of stationery certainly decentralization can easily be effected. With regard to big matters of central stores also the question has been raised and must be raised again. If stationery is based on the supposition of a capitation grant of Rs. 18, I suggest that by suitable co-ordination and decentralization, and a due regard for saving of smaller items of stationery which total up much a great deal more economy could be effected.

**Mr. W. M. Hussanally:** I am afraid Mr. Spence was not very correctly informed. I doubt if Government have been able to cut expenses in this Department; but if we look at the note at the bottom of page 135, it says that 'the Governments of Bombay and Madras will run their own stationery stores' and probably the reduction shown here is due to the fact of economies in Madras. (*A Voice:* 'No; you are all wrong'.) Of course, I speak subject to correction, but that is my impression. We know that the Government of India came for a supplementary grant under this head last Simla Session, and they have since balanced their accounts. If that is so, then I do not think that the Government of India have been able to reduce any expenditure under this head.

I put a question a little while ago as to whether, so far as printing is concerned, the printing for the Military Department is not done by the Civil Departments, and if so, whether any part of the expenditure is debited to the Military Department. I got no answer to that question, and therefore think that I am correct in saying that much of the printing that is done is for the Military Department, and all the cost of printing for that department should be debited in the Military Budget. In fact I am afraid the expenditure of the Military Department is being put down in this way by debiting a lot of expenditure that really ought to go to the Military Department to the Civil Department. This ought not to be done. May I ask that for the next year all expenditure which is incurred on behalf of the Military Department should be debited to that Department, though it be non-votable. Then we will be in a position to know what really is the expenditure on that department; because as it is, I think that expenditure on that Department is purposely kept down by debiting to Civil Departments.

**Mr. Darcy Lindsay:** I join with Mr. Spence in congratulating the Government of India on the reduction that they have been able to effect both in printing and stationery.

There is no doubt however that there are many minor items in which they can still effect considerable saving. It is these minor items, Sir, that count. As the saying goes—many a mickle makes a muckle. I place before you, Sir, what appears to my mind a wasteful expenditure in paper. I have here three sheets of paper which came to me about the 15th of the month, one from Mr. Gupta, for the Secretary of the Legislative Assembly, and another sent by Mr Pereira, the Registrar. Both of these could have been printed on the one piece of paper. Lots of these notices are printed on a large sheet of paper, whereas a small sheet would suffice. I am perfectly well aware that the reply given to me would be that this size is convenient for our files. But, Sir, we, the Members of the Assembly, do not keep files and we do not want these large sheets of paper I would suggest that the Superintendent of Stationery or the Master Printer be offered a bonus or percentage on the reduction that he could effect in the coming year both in the manner of printing and the stationery used in that printing. I am perfectly satisfied that, if this question were closely gone into, room for considerable saving would be found. My friend, the Honourable Mr. Joshi, referred to a point that I wished to raise and that is the printing of six copies of letters and communications received by departments to go to swell those interminable files that you see unhappy Members of Government taking home every evening. I do not know why these should be printed. In our offices—commercial offices—we frequently have to duplicate and triplicate and sometimes we may want even six copies of one document. We pass the matter on to our typists and by the use of a certain quality of thin paper we can get as many as six copies at one time. Surely, Sir, these would suffice for purposes of the files and save a considerable amount in printing. I have been told, Sir, that at times work is put upon the printing establishment merely because they have no work to do. Government maintains these printing presses and occasionally when they are out of work, work must be found for them. It was only the

other day, Sir, that I received a circular notice from the Secretary of this Legislative Assembly announcing that the Public Works Department had revised the measurement of my room and I was therefore going to be charged an extra rent of one rupee a month. I wonder, Sir, whether it was the Master Printer who having no work at the time said—'For goodness sake, give me something to print!' If the head of the department will only make a close supervision into these various matters, I am quite satisfied that the saving may run into lakhs of rupees.

**Mr. J. N. Mukherjee** (Calcutta Suburbs : Non-Muhammadan Urban) : Sir, I wish to add a word to what has fallen from my Honourable friend, Mr. Lindsay. With regard to the quality of the paper which is used for most trivial or temporary purposes, papers which are meant simply to be looked at and are probably thrown away the next moment I may say, that it may not be of a superior sort, such paper might be had at a cost considerably less than what we pay now. Similarly, with regard to envelopes one might effect a considerable retrenchment. I notice that big-sized envelopes and of very good paper are sent out, even on trivial occasions, to Members. If notice was taken of these little things by the officers concerned, I am sure some retrenchment might be effected in this connection also.

**Mr. A. C. Chatterjee:** Sir, it is an irony of fate that the super-axe of the Democratic Party falls equally on Departments which have honestly attempted and are attempting to effect economies as on Departments where no such economy has been possible. (Hear, hear.) As the Honourable Mr. Spence, to whom my gratitude is due, has pointed out, we have already in the proposed budget figures indicated a considerable reduction on the actuals of 1920-21 as well as on the revised Estimates of the current year. As Honourable Members will find from page 135, we have asked for a grant of only 67 lakhs of rupees, whereas the actuals for 1920-21 were 98 lakhs of rupees and for the current year 83 lakhs of rupees. Sir, a determined effort has been made to effect economies in this Department. We admit that economies were possible; and, as Honourable Members of the Standing Finance Committee are aware, an officer, with their permission, is now going into the question in a very detailed manner. Anticipating the economies that he will probably be able to introduce, we have already suggested a reduction in the grant. We have now come to the stage where it will be difficult to make any further reduction in the ensuing year. But we are not without hopes that in future, that is to say in the year 1923-24, we may be able to effect further reductions. Sir, the estimate is mainly composed of the cost of buying paper. Here we are more or less in the hands of the trade. We have to purchase paper according to the quotations available either in India or in England. Last year we were faced with a very immense increase in the price of paper. This year in the contracts which are just now being entered into, we hope to be able to secure a very considerable reduction in the price of paper. This is all really dependent on the world market. It is entirely beyond our own control. I have no doubt Honourable Members will bear that fact in mind when they discuss the question of expenditure under this head. I may just mention for the information of the House that in 1919-20, the consumption of paper was 10,600 tons, in 1920-21, we succeeded in reducing it to 9,500 tons, in the current year we estimate a consumption of 8,300 tons and in the ensuing year we have budgeted for a consumption of 7,500 tons. This is really a reduction of 1 in 3. I think Honourable Members will recognise that an attempt has been made to economise. In this connection, I wish to pay a tribute to the excellent work that has already been done by the officer who is especially going into this question at the present moment and from whose work we anticipate further economies. It will therefore be seen, Sir, that it is really very difficult to effect any further economies during the ensuing year. I should like to mention one or two points in detail. We have asked for a grant of Rs. 67,00,000. This is allowing for a recovery of nearly Rs. 42,00,000 from the provinces. There is just a possibility that the provinces may not pay the whole of this amount. All the same we have to provide the paper. We have to keep it in stock. They have told us that they would take so much and it would be impossible to tell them later on that we have not got the paper. It is possible that the amount of recovery may be actually less. In view of this fact, it is really impossible to effect any further savings.

I should like to draw the attention of the House to the fact that in the current year the gross expenditure in India and England is Rs. 1,54,00,000. In the budget year we have estimated for a gross expenditure of Rs. 1,27,00,000. This is really a reduction of Rs. 27,00,000 already. Is it reasonable on the part of the Democratic Party to expect a further reduction?

I should like now to answer a few questions which have been put to me. The Honourable Mr. Shahani has suggested that the Government should start a paper factory of its own. I, personally, Sir, would be no party to any such proposal. It will not be a pioneer industry. There are already paper factories in the country, and I think the House will agree with me that it will be a most risky enterprise on the part of Government to start a paper factory of its own, when, at the present moment, it can take advantage of a fall in prices which may occur outside India, independent of conditions in India. I am perfectly certain that, if we start a factory of our own, our cost will be very much heavier than it is now. I do believe, Sir, in pioneer factories, where you want to establish a new industry, but I do not believe in Government factories competing with private factories. (*A Voice:* 'There are only two'.) No, there are more than two.

Then, also, as I said, Sir, we at present take advantage of the reduction in cost effected by a reduction in the price of paper in the world market. We shall naturally lose that advantage if we have a factory of our own.

Mr. Joshi and Mr. Darcy Lindsay referred to the printing of letters and memoranda, etc., which, according to them, is the ordinary practice of the different departments of the Government of India. I think, Sir, it is based on a misconception of the facts. As a matter of fact probably the letter which Mr. Lindsay received has also to be addressed to about 200 other Members of the Legislature, and in that case there is probably an economy in printing rather than in sending out typed copies.

**Mr. Darcy Lindsay:** It has nothing to do with circular letters; I referred to printing in connection with files.

**Mr. A. C. Chatterjee:** I think Mr. Lindsay referred to a letter in which he was asked to pay one rupee a month more for the rent of his quarters. As regards files, it is another misrepresentation to say that every Government file is printed from the beginning to the end. Mr. Joshi said that. (*A Voice:* 'When was it stopped? It was the practice'.) It is not the practice. It is only the most important files that it has been so far the practice to print, and it is only a small proportion of files that is printed; and even into that question we are already looking. Mr. Spence has asked for a repetition of the assurance that I gave to him in Simla as to the proportion of paper that is purchased in India. I am very glad to be able to give him that assurance but as I said, that depends entirely on whether the Indian paper mills can supply paper to us at reasonable rates, compared with the rates at which we can obtain paper from outside. (Hear, hear.) So far, they have been able to do so, and we, on our part, have been delighted to place our orders with them. Sir Deva Prasad Sarvadhikary suggested that there is a grant of Rs. 18 per head for stationery. I am afraid, Sir, I have not got the figure. We generally allow stationery to various consuming departments according to the actual quantity that they require. This quantity is decided by the superior officers of the Department. I do not think, Sir, that in the Government of India there is any prescribed amount per head, but even into this question we are now looking as I have already said, and it is very probable that, in addition to the economies which I have already indicated that we have effected, we shall be able to effect further economies. (Hear, hear.) But, as I said, Sir, we have anticipated these economies in the estimate for the next year.

Mr. Wali Mahomed Hussanally said that, possibly, the reductions that we have been able to suggest in the budget figure are due to the fact that Bombay and Madras will supply their own stationery in future. That is not so, Sir, as he will find from the lower figures on page 135, an estimate of 42 lakhs nearly is made on account of the recoveries from provincial Governments during the current year. The revised estimate is Rs. 71 lakhs, so that really we have left out Bombay and Madras in our estimate of recoveries for the next year.

He also said that in the Simla Session we asked for a supplementary grant for paper. He is slightly inaccurate. We did get a supplementary grant for paper in the grant that was given by the Assembly a few days ago, and the causes were fully explained in the memorandum.

He also asked whether the printing of the Army Department and of the Army is done in the Government presses. That is so, Sir. It has been the regular practice not to show separately the debit on account of each different department. It will indeed be extremely difficult to do so, because we have one whole establishment in the press, and it would be extremely difficult, as I have said, to apportion the overhead charges as well as the actual cost of printing and paper.

**Dr. H. S. Gour:** What portion of your cost is for printing for the Military?

**Mr. President:** Order, order. If Honourable Members wish to ask questions they must rise in their places. It is unfair to an Honourable Member who is speaking to subject him to constant interruption.

**Dr. H. S. Gour** (rising): What portion of the printing charge by the Civil Department are on account of the Military Department?

**Mr. A. C. Chatterjee:** I have already said, Sir, that it is extremely difficult to apportion the cost. As a matter of fact, during the current year, we have made an endeavour to fix grants for different departments for printing, but I must confess that it is not a good arrangement, because we find it extremely difficult to apportion the overhead charges and also to decide beforehand what matter should be printed by different departments. But, as I said, Sir, we are going into this question. We hope to exercise more direct control over the printing that is sent into the press by the different departments and probably, if Dr. Gour will repeat this question to me next year, I shall be in a better position to answer him.

**Mr. W. M. Hussanally:** And yet the cost of printing for Posts and Telegraphs has been separately assessed.

**Mr. A. C. Chatterjee:** As Mr. Hussanally will find, the Posts and Telegraphs are treated as a commercial department and their cost is mostly on forms and not on ordinary departmental printing. That is separately assessed and we recover somewhere between 28 and 30 lakhs from the Posts and Telegraphs Department for the work that we do for them.

Mr. Lindsay and Mr. Mukherjee have referred to economy in small items. I quite agree, Sir, that a great deal of economy is possible in small items, and I think Honourable Members must have already noticed considerable economies effected during the last few months in this respect.

I do not know whether they now receive their letters in envelopes which are fastened by means of a label. We have already effected considerable economy in envelopes, in stationery of different kinds, such as demi-official note paper and so on, and we hope to effect still further reforms and economies. But, as I said, all this has been allowed for in the reduced basis of paper consumption on which we have budgeted, and I really would appeal to Honourable Members to give us credit for what we have done and not to cut the Budget down any further, because, as I have said, we have made an honest attempt and I think that ought to be recognised.

**Mr. Darcy Lindsay:** May I ask the Honourable Member if issuing papers to the Assembly in envelopes of this size (holding up a large envelope) is really an indication of retrenchment?

**Mr. A. C. Chatterjee:** I think Mr. Lindsay must have made many speeches yesterday and probably the typed copies of those speeches must have taken a considerable amount of space; and if very flimsy envelopes are sent probably the article would never reach the Honourable Member at all. In any case, the House has already effected a reduction of Rs. 43,000 on account of the Foreign and Political Department Press, and I hope that that will be taken into account. I, therefore, trust that this reduction will not be made.

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): Sir, my Honourable friend, Mr. Chatterjee, would like the House to give him credit for having effected economy. I should be the first man to give him credit if I was convinced of the fact that economy had really been effected; but what I find is this, Sir, that the reduced expenditure is due largely to the fall in the price of paper.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member): No. There has been a reduction of 3,000 tons of paper in two years.

**Mr. Jamnadas Dwarkadas:** I admit that the consumption of paper has been reduced in quantity, but the fall in the price of paper has been to the extent of 100 per cent. at least.

**The Honourable Mr. C. A. Innes:** No, no.

**Mr. Jamnadas Dwarkadas:** If you look into the figures, the reduction is mainly due to the fall in the price of paper. I do not see where the question of substantial economy comes in any other item, and although in paper we are saving 23 lakhs of rupees, the total deduction on the revised estimate for 1921-22 is nothing more than 16 lakhs. I venture to think, Sir, that there is a good deal of room for reduction, and that this demand for reduction is perfectly justified.

**Mr. N. M. Samarth :** Sir, I have only a few remarks to make. I am prepared to give full credit to the Department for its energetic and strenuous efforts in trying to reduce the consumption of paper and stationery. Well, I take it that they are in right earnest about it, but I do not know whether effective supervision is exercised over the number of forms which are being printed. Only the other day, a friend of mine went to the Chandni Chowk to buy some fruit, and he got that fruit in a paper bag which was made out of a Government form. I do not know how many such forms are sold in the bazaar or whether they are simply distributed to sweetmeat sellers and other shopkeepers for the purpose of making up into bags. Anyway, there seems to be some lack of supervision, and although I am prepared to give the Department credit for what they have done, I trust that by retrenching to the extent we ask for we shall be in a position to give them still greater credit next year.

**Mr. President :** The question is :

' That the demand under head ' Stationery and Printing ' be reduced by Rs. 3,37,300 .'

The motion was adopted.

**Mr. President :** The question is :

' That a reduced sum not exceeding Rs. 63,54,960 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923 ', in respect of ' Stationery and Printing—including Expenditure in England.'

The motion was adopted.

MISCELLANEOUS.

**Mr. President :** The question is :

' That a sum not exceeding Rs. 12,96,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ' Miscellaneous '. '

**Mr. J. Hullah** (Revenue and Agriculture Secretary) : Sir, I have to move a demand for an additional grant of Rs. 60,000 in order to provide for the cost of an Indian Deputation to the Dominions of Australia, New Zealand and Canada. I will not take long, Sir, but shall I move it now or after the main Demand has been voted on ?

**Mr. President :** If the Honourable Member likes he can move it later, or . . . .

**Mr. J. Hullah :** I will move it later, Sir.

**Mr. P. L. Misra** (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, I beg to move :

International Labour Conference.

' That the provision of Rs. 1,00,000 for ' International Labour Conference ' under the sub-head ' Special Commissioners of Inquiry ' be omitted.'

In moving this motion I want to know whether it has been settled to hold a Conference, and if so, whether any date has been fixed for the holding of such Conference. If no date has been fixed, then will Government wait for a supplementary Demand ? I want also to know, Sir, what the Government means by ' Salaries and other charges '. If I have this information, I will withdraw my motion.

**Mr. A. C. Chatterjee :** Sir, the annual meetings of the International Labour Conference are held under the Treaty of Versailles. Under Article 389 of that Treaty the Conference has to be held at least once in every year. We realise that this imposes a considerable strain on countries like India situated at a considerable distance from Geneva, the seat of the League of Nations, where according to the Treaty these meetings have to be held ; and we have made representations to the best of our power in order that the Treaty might be altered and the meetings might be held at less frequent intervals. But the machinery for the revision of the Treaty is extremely complex and we do not anticipate that any revision will be effected for a little time yet. Under these circumstances, we have to make budget provision every year.

With regard to the other question about salaries, if any officer of Government has to be sent, he naturally has to be paid some salary during the period of his deputation. The delegates who represent labour and capital only receive their actual expenses and those also the Government has to pay in accordance with the terms of the Treaty. The expenses are kept down as low as possible, but they cannot be absolutely omitted.

**Mr. N. M. Joshi :** I want to know why this item was not placed before the Standing Finance Committee.

**Mr. A. C. Chatterjee :** I do not think, Sir, that there is any idea—though I am not quite sure—of placing before the Standing Finance Committee items which we must incur in accordance with Treaty obligations.

**The Honourable Sir Malcolm Hailey:** I think I can explain, Sir, that this was not a new item and therefore it was not placed before the Standing Finance Committee. It is a repetition of last year's item. We understood this was an annual obligation.

**Mr. P. L. Misra :** I beg leave to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President:** Before I put the next motion for reduction, it has been suggested to me as a compromise that we should adjourn for half an hour at about 1-15.

**Rao Bahadur T. Rangachariar:** We may finish this item, Sir. This motion which stands in my name :

Miscellaneous. — 'That the demand under head 'Miscellaneous' be reduced by Rs. 1,96,100'

is the usual five per cent. reduction. I move this with the greatest confidence, because I have great faith in the Honourable the Finance Member. As Honourable Members will see we allowed him Rs. 5 lakhs Reserve in 1920-21; he was so careful as to spend only Rs. 62,000 out of it; and last year although we gave him Rs. 5 lakhs he spent only Rs. 10,000; so that the provision of Rs. 5 lakhs is no doubt excessive. Not that I have any objection to trust the Honourable Finance Member with even Rs. 10 lakhs, but as we have not got it, it is better to reduce it by Rs. 2 lakhs. My modest figure of Rs. 1,96,000 will not therefore hurt him at all, and I move it.

**Mr. R. A. Spence :** Sir, may I ask for information as to what the 'Fixal' Commission at page 146 is? They have not fixed all; and they have not fixed anything at the present moment. But, Sir, there is under Miscellaneous and Unforeseen Charges a sum of Rs. 5 lakhs reserve at the disposal of the Finance Department. Now, Sir, we have just learnt the care that the Finance Department take to see that no unforeseen expenditure occurs and they have even suggested to us to-day a supplementary grant on account of the Honourable Mr. Sastri's journey; and I think, Sir, that in view of the small amounts which the Finance Department have spent in Unforeseen Expenditure under this head in previous years they might accede to the Democratic axe and allow this 5 per cent.

**Mr. N. M. Samarth:** And the National Party's demand.

**The Honourable Sir Malcolm Hailey** (Finance Member) : The reason why it appears that we have not fully utilised the provision of Rs. 5 lakhs given us as reserve is that the expenditure now appears under other heads. In the course of the year we obtained several supplementary grants and the expenditure incurred against the Rs. 5 lakhs was passed off against these grants. Now, the form in which this reduction was taken is a general reduction of five per cent. I wish to point out to the Assembly that this head does not refer to any particular Department or any particular sphere of work. It so happens that in the ordinary course of circumstances I should be responsible for placing it before this House; but it really concerns a collection of different items which are merely brought together under the head 'Miscellaneous' for purposes of convenience. It is hardly, therefore, susceptible of treatment as one of the Demands which can be reduced as a whole. Mr. Rangachariar suggested that our Reserve should be reduced by Rs. 2 lakhs. I take it at least that that is the meaning of the proposal which he has put forward. It may embarrass us; but, so long as we can come up to the Assembly for a supplementary grant in September next if unforeseen expenditure has to be incurred in the interval, I should have no objection. I should have strong objection, however, if it was proposed that, instead of doing that, we should make an all-round reduction here, because, as the House will see, many of these items are not susceptible of reduction at all.

**Rao Bahadur T. Rangachariar:** I have no objection at all.

The motion was, by leave of the Assembly, withdrawn.

**Mr. N. M. Samarth:** May I move as a motion that a reduction be made, in the item 'Miscellaneous and Unforeseen Charges,' of Rs. 2 lakhs? I need not spend any more time after what the Honourable the Finance Member has said about the Reserve at the disposal of the Finance

Department; and my motion is that a sum of Rs 2 lakhs be reduced from the sum of Rs. 5 lakhs entered under the head 'Reserve' at the disposal of the Finance Department.

**The Honourable Sir Malcolm Hailey:** For purpose of the vote, it must be reduced from the total grant . . . . .

**Rao Bahadur T. Rangachariar:** So long as it is understood that that sum must be reduced, it does not matter how: perhaps the Retrenchment Committee might be able to recommend retrenchments in other directions also and there should be nothing whatever to prevent them from doing so. This is only a suggestion.

**The Honourable Sir Malcolm Hailey:** I think the demand must under the rules be voted as a whole and I merely suggest that it should be voted as Rs. 10,96,000. I would suggest, before this is put to the vote, that there is the matter which has been brought up by Mr. Hullah, namely, the necessity for making provision for the deputation of the Right Honourable Mr. Sastri. It properly comes under this Demand, just as any other deputations, for instance that to Fiji.

**Mr. President:** I had better take the motion for increase now.

**Mr. J. Hullah:** I move, Sir, a demand for an additional grant of Rs. 60,000 in order to provide for the cost of an Indian deputation to the Dominions of Australia, New Zealand and Canada. The necessity for this demand arose too late for it to be placed before the Standing Finance Committee or to be placed in the Volume of Demands. I shall not take long to explain why the Government of India have thought it necessary to put it forward.

With one exception the support that was given to the 'Equality of Status' Resolution moved by Mr. Sastri at the Imperial Conference was all that we could desire. Events have occurred which make us apprehend that, in one Crown Colony, there is or may be some reluctance to give effect to the principle of that Resolution, but the self-Governing Dominions have shown no disposition whatever to recede from the position which their representatives then took. But memories are short; enthusiasm has a way of growing cold and theories are slow to be put into practice. At the same time, there have occurred incidents in India which may be seized upon by the enemies of Indian aspirations,—may be distorted and misinterpreted to our disadvantage. Our object in sending Mr. Sastri to these Dominions is intended from our point of view to quicken up the process of giving effect to the Resolution of the Conference and to obtain for Indians the franchise which they do not at present possess, and I think that we could send no better envoy—if I may use that expression than Mr. Sastri (Hear, hear), whose personal qualities and whose efforts have made a most favourable impression wherever he has been. (Hear, hear.)

I do not know if I am right in calling him an envoy. He will not go as a petitioner; he will not go to ask for permission to place our views before the peoples of the Dominions. He goes as the result of invitations; invitations which, I venture to say, are most graceful and courteous; invitations which, I think, it would be ungracious on our part to decline. (Hear, hear.) These invitations are not merely a compliment to Mr. Sastri; they are an expression of goodwill towards the people of India as a whole. (Hear, hear.) The hand of fellowship is extended to us: let us grasp it in the spirit in which we believe it has been offered. (Applause.)

**Mr. President:** The question is:

'That an additional sum of Rs. 60,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, under the head 'Miscellaneous'.'

The motion was adopted.

**Mr. N. M. Samarth:** Sir, I now propose that the total sum under 'Miscellaneous' be reduced by Rs. 2,00,000.

**Mr. President:** The question is:

'That the Demand under head 'Miscellaneous' be reduced by Rs. 2,00,000.'

The motion was adopted.

**The Honourable Sir Malcolm Hailey:** May I point that the correct effect of the various operations which have just taken place will be that the total Demand will first be increased by Rs. 60,000 and then reduced by Rs. 2,00,000? As a net result the House might be asked to pass Rs. 11,56,000,

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 11,56,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Miscellaneous'.'

The motion was adopted.

ADJUSTMENTS WITH PROVINCIAL GOVERNMENTS.

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 63,29,000 be granted to the Governor General in Counci to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Adjustments with Provincial Governments'.'

The motion was adopted.

THE NORTH-WEST FRONTIER PROVINCE.

**Mr. Deputy President:** The question is:

'That a sum not exceeding Rs. 1,16,40,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'the North-West Frontier Province'.'

**Rai G. C. Nag Bahadur** (Surma Valley *cum* Shillong: Non-Muhammadan): Sir, there are two motions in my name. I would confine myself to a few remarks. I want to elicit information with regard to certain points which I am going to raise.

**Mr. Deputy President:** I would ask the Honourable Member to confine himself to his motion No. 274 first.

**Rai G. C. Nag Bahadur:** All right, Sir. The motion standing in my name runs as follows:

'That the provision of Rs. 46,000 under sub-head '2.—Taxes on Income' be reduced by Rs 25,100 provided for the appointment of a 2nd Income-tax Officer, his travelling allowance and his establishment.'

2nd Income-tax Officer.

Honourable Members will observe that this is a new item of expenditure provided in the Budget of the ensuing year. If you will turn to page 173 you will find that the receipts from this source of revenue for the current year are estimated at Rs. 6 lakhs and the cost of collection is Rs. 21,000 or 3·5 per cent. The estimated receipts for the ensuing year are worse by Rs. 26,000, but the proposed cost of collection is more by Rs. 25,000. In other words, while the income will decrease by 4·2 per cent., the cost of collection will increase by 120 per cent. I need not waste many words to try to prove the extravagance of this Demand. The other day I pointed out that the average cost of collection for all India is only 2·1 per cent. The demand of the North-West Frontier Province is more than three times as much. The Honourable the Finance Member was pleased to tell the House in reply to my contention that the variation in the cost of collection was due to different provinces having different conditions. I would point out with all deference to his opinion that if he will kindly compare the conditions of Assam with those of the North-West Frontier Province, he will find that there exists no ground whatever for allowing the latter province to spend so much on its collection of Income-tax. I will place all the relevant facts before the Honourable House for comparison. The area of the North-West Frontier Province is 13,000 square miles, that of Assam is 78,000 square miles. The North-West Frontier Province is partly a hilly country so also is Assam In fact, the hills there cover two-thirds of its entire area. The population of the North-West Frontier Province is 2 millions, that of Assam is 7 millions. The receipts of the North-West Frontier Province from its income-tax are about 6 lakhs, that of Assam are 10 lakhs. The proposed cost of collection in the North-West Frontier Province is about 7 per cent., that of Assam is less than 1 per cent. It would thus appear that there exists nothing whatever in the conditions of the former Province to justify its spending so much on its income-tax collection. The income of the Province from all sources is no more than Rs. 83 lakhs, but its expenditure is 301 lakhs, which means that its civil administration is financed to the extent of 2 crores and 18 lakhs by the rest of India. Assam is faced with a deficit of Rs. 12 lakhs this year and applied to the Central Government for relief, but it is refused. But like a spoilt child the Province of the North-West Frontier asked for 140 lakhs in 1920-21, 152 lakhs in 1921-22, and asks for 218 lakhs over its receipts in the ensuing year, and the Government of India sees nothing unreasonable in such a demand. The reasons are not far to seek The other Provinces of India being thrown entirely upon their own resources and try to live within their means, but the North-West Frontier Province being a charge on the Central Government thinks that it can spend just as it likes and like the proverbial Oliver Twist is asking for more and more every year.

I hope that my friend, Khan Bahadur Abdur Rahim Khan, who stands up in season and out of season to support the increasing military burdens of India will likewise come forward to-day to justify the excessive expenditure of his province on its civil administration.

**The Honourable Sir Malcolm Hailey:** I will give the facts at once to the House and in doing so I shall not attempt to cover the wide field that has been traversed by my Honourable friend, for this has nothing to do at all with the demands by the North-West Frontier Province Administration for an increased Budget allotment or for a larger sum in order to meet general administrative expenditure. It is not the case here that we are allowing, as the Honourable Member said, the North-West Frontier Province to spend more than it ought to or that we are yielding to its belief that it can get what money it likes because it draws funds from the Central Government. The fact is that this proposal was put forward not by the North-West Frontier Province but by our own Income-tax Department. The Honourable Member no doubt failed to notice that there has been a gradual increase in the receipts from income-tax in the North-West Frontier Province, that is to say, in 1920-21, it was Rs. 5,26,000 and we budget in the coming year for Rs. 5,86,000. There will be some small falling off in the coming as compared to the current year merely because a certain number of arrears were collected in the current year. About two years ago we put on an officer of the standing of Extra Assistant Commissioner to supervise income-tax work in the North-West Frontier Province and the result was an increase of about Rs. 1,41,720 in the assessment. The cost of the staff was Rs. 23,000. Therefore from my point of view at all events it was a very good investment. We now propose to employ a second officer of the same class in the belief that if we do so the assessment will go up again. We are not proposing to put on any superior officer because we think that one of the superior officers who are being appointed in the Punjab can do perfectly well the work of supervision also in the North-West Frontier Province. I put it to the House, therefore, that it is no yielding on our part to the demands of an extravagant administration for a further increase in the money available for its general purposes. It is a proposal put forward by our own expert department to add another officer in order to bring in, if possible, more revenue.

**Rai G. C. Nag Bahadur:** I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Rai G. C. Nag Bahadur:** I have got another motion, Sir.

**Mr. Deputy President:** Order, order.

**Dr. H. S. Gour:** I move, Sir :

Hill Journey allowance.

'That the demand for Rs. 7,000 for Hill Journey allowance be reduced by Rs. 4,000.'

My motion covers a wider ground and I propose very briefly to take the House through the history of the North-West Frontier Province. (*Voices*: 'Finish soon'.) A very few minutes will suffice if I am not interrupted by Honourable Members. As the Honourable Members are aware this province was formed in 1901 and Lord Curzon in his despatch to the Secretary of State stated that the reasons for separating this North-West Frontier Province from the Punjab were first that it would have a more effective direct control, secondly, that it would cost only 3 lakhs of rupees per annum in addition to the ordinary charges then apportionable to the North-West Frontier Province . . . .

**Mr. Deputy President:** May I draw the attention of the Honourable Member to the fact that the motion he moves is with regard to the hill journey allowance?

**Dr. H. S. Gour:** Yes, the hill charge allowance of the Chief Commissioner and the Revenue Commissioner. Thirdly, it was thought that it would lead to increased efficiency. Now, Sir, before the partition, the cost apportionable to the North-West Frontier Province was Rs 64,15,417.

**Mr. Denys Bray** (Foreign Secretary): May I rise to a point of order? Sir, I understand that Dr. Gour is presently to move a much more comprehensive motion. It seems to me very awkward for us to discuss the history of the North-West Frontier Province from as far back as 1901 on a motion to reduce the hill journey allowance, which stands at Rs. 7,000 by 4,000. I suggest to the Honourable Mover that it will be much more convenient if he would defer his more general remarks to the general motion he is proposing to make.

**Dr. H. S. Gour:** I am very much obliged to the Honourable Mr. Bray for giving me advice, but I intend to follow the course that I have chalked but for myself and eventually he will agree with me that it is the right course to follow.

Now, Sir, Lord Curzon pointed out that the additional cost would be only 3,55,507. In other words, 67,55,507 that was the cost of administering the North-West Frontier Province. Let me give you the actuals.

| | Revenue. | Expenditure. |
|---|---|---|
| 1902-03 | 33,13,807 | 51,84,705 |
| 1910-11 | 46,57,275 | 99,30,435 |
| 1911-12 | 46,14,480 | 1,02,33,925 |
| 1912-13 | 51,16,183 | 1,18,29,390 |
| 1920-21 | 58,59,008 | 1,79,49,450 |
| 1921-22 | 62,89,000 | 2,14,66,000 |
| 1922-23 | 83,38,000 (estimated). | 3,31,00,000 (estimated). |

I add the civil works expenditure of 31 lakhs which is on a different page. The expenditure, therefore, has gone up by leaps and bounds and commencing at 64,00,000 in 1902-03 it is now 3⅓ crores. That is, the expenditure has gone up by more than 5 times. So much for the cost. Now look at the efficiency. The North-West Frontier Province was formed with a view to ensure security of life and person to the people living in that province.

Now I will give you these facts from the official reports.

Raids and other border offences:

| | |
|---|---|
| In 1916-17 | 218 |
| 1917-18 | 206 |
| 1918-19 | 189 |
| 1920 | 111 |

Losses sustained in cash and property:

| | Rs. |
|---|---|
| 1916-17 | 41,325 |
| 1917-18 | 36,442 |
| 1918-19 | 27,420 |
| 1920-21 | 30,209 |

Animals stolen:

| | |
|---|---|
| 1916-17 | 6,581 |
| 1917-18 | 5,251 |
| 1918-19 | 3,104 |

People killed or injured:

| | |
|---|---|
| 1916-17 | 177 |
| 1917-18 | 117 |
| 1918-19 | 61 |
| 1920 | 298 killed, 392 wounded and 463 kidnapped. |

Now as regards offences:

| | |
|---|---|
| In 1903 | kidnapping, murder 172. |
| 1911 | 260 |
| 1912 | 328 |
| 1920 | 545 |

Kidnapping:

| | |
|---|---|
| 1903 | 28 |
| 1911 | 52 |
| 1912 | 54 |
| 1922 | 121 |

Robbery . . . .

**Mr. Deputy President:** Order, order. I have been hearing the Honourable Member with great patience, but I cannot understand what connection these figures, that he is giving, have. Have they anything to do with the hill journey allowance about which he has moved a motion?

**Dr. H. S. Gour:** The most intimate connection,—that if these people did not go to the hills and did the work in the plains, there would be no crime. (Laughter.)

To resume:

Robbery:

| | |
|---|---|
| 1903 | 47 |
| 1911 | 65 |
| 1912 | 71 |
| 1920 | 194 |

Dacoity with murder:

| | |
|---|---|
| 1911 | 17 |
| 1912 | 6 |
| 1920 | 82 |

Dacoity, other cases:

| | |
|---|---|
| 1903 | 41 |
| 1911 | 85 |
| 1912 | 86 |
| 1920 | 489 |

These are truly staggering figures. Now so far as economy is concerned I have proved to the satisfaction of the House that there is an increasing deficit consequent on the enhancement of civil expenditure from 64 lakhs to 3 crores and 31 lakhs. There has been a steady increase in crime,—border crime, kidnapping, robbery and all the other offences.

**Mr. R. A. Spence:** Due to the Chief Commissioner going to the hills?

**Dr. H. S. Gour:** Due to the inefficiency of the administration, because I submit that this province was formed a separate unit for the purpose of increasing its efficiency and curbing the lawlessness which was then prevailing in the country. I, therefore, submit that, on the short ground that the Central Government has just justified the separate expenditure on the North-West Frontier Province of this truly large sum of Rs. 3 crores and 31 lakhs, and further, on the ground that it has not been conducive to improvement as regards peace and efficiency, the hill journey allowances of the Honourable the Chief Commissioner, of the Commissioner, and of the Revenue Commissioner should be cut down. If this is done, I hope that the Retrenchment Committee will then go into the whole question and see that these five settled districts are once more restored to the province of the Punjab, from which they were dismembered.

**Mr. Denys Bray:** Sir, I hardly know in what spirit to treat the motion that Dr. Gour has placed before the House. I am no dialectician. I am a plain business man, that wants to get on with business. I ask the House, is this a business proposition that he has placed before us? Are we really to go back to 1901 to consider whether we should reduce the demand for hill-journey allowance? What am I to do? This morning Dr. Gour told me out of courtesy that he proposed to move one motion only on the subject; he also told me he was going into the whole question. How can I get up to speak on the general question and remain in order on this motion? What am I to do?

**Mr. Deputy President:** You need not do the same and you may be short.

**Rao Bahadur T. Rangachariar:** May I point out that there is a general Party motion on which my Honourable friend, Dr. Nand Lal, is going to speak,—about the general administration?

**Mr. N. M. Samarth:** May I point out that because Dr. Gour has been in this matter a mountain in labour producing a rat, there is no reason why another man should follow his example.

**Mr. Denys Bray:** I am still at a loss what course I should adopt. Does the Honourable Member really ask the House to believe that this great increase of crime that he has referred to is due to the fact that certain officers of the North-West Frontier Province go up to the hills? Does he ask me to believe, does he ask this House to believe, that, supposing the Frontier Province were re-amalgamated with the Punjab and I understand that this is what he is aiming at,— the Governor of the Punjab would cease to go to the hills? If another motion is coming before the House on

this question, despite the fact that I was told by a prominent Member of the Democratic Party that one motion only would b moved (*A Voice*: 'Who said that'), then I shall confine myself to saying this. The motion, put forward in the terms that we have listened to, is a motion that ought to be thrown out incontinently. (Hear, hear.)

The motion was negatived.

**Mr. Jamnadas Dwarkadas:** On a point of order, Sir. On the printed list that is supplied to us I do not find these motions that Dr. Gour has been asked to move.

**Mr. Deputy President:** I understand that the Honourable the President has admitted certain motions from Members, and this falls under that category. I will call upon Dr. Gour.

**Dr. H. S. Gour:** Sir, I am not moving the second motion on the typed list (That the demand of Rs. 6.200 for Hill Journey and other allowances be reduced by Rs. 3,200). But I wish to move the third, namely :-

Extra Assistant Commissioners.

'That the provision of Rs. 36.000 for the creation of 5 permanent posts and 5 temporary posts of Extra Assistant Commissioners be omitted.'

**Mr. Jamnadas Dwarkadas:** May I rise to a point of order? I would like information on this point. There is a printed list of motions of which notice has been given on this Demand. Is it permissible, Sir, for any Member, by giving subsequent notice of motions for the reduction of certain items, to prevent other Members whose motions appear in the printed list from moving those motions? This allows them to indulge in remarks, for instance, like those which Dr. Gour indulged in just now. I ask for a ruling, Sir, as to whether a Member can do this.

**Mr. N. M. Samarth:** Sir, it is absolutely unfair to Members like me not to be given any notice of these motions. We come here to give our deliberate judgment upon certain motions which are printed and to which we have devoted our attention. We bring what little information we have to bear upon the conclusions arrived at. It may be that the Democratic Party is in the know, and they have arranged these motions beforehand.

**Rao Bahadur T. Rangachariar:** The Democratic Party disowns this action of Dr. Gour most emphatically.

**Dr. H. S. Gour:** None is so blind as he who will not see. Notices were circulated to Members yesterday. (Cries of 'No. No. They were not.') I move . . . .

**Mr. P. P. Ginwala** (Burma: Non-European): Sir, I rise to a point of order. I understand that all the motions received were divided into two classes, relevant and irrelevant. The relevant ones were printed and the irrelevant ones were typed. (Laughter.)

**Mr. Deputy President** (addressing Dr. Gour): Are you moving your motion No. 3 on the separate list?

**Dr. H. S. Gour:** 'No.'

**Rai G. C. Nag Bahadur:** Sir, I move:

Extra Assistant Commissioners.

'That the provision of Rs. 14,50,000 under sub-head '22-E.—District Administration' be reduced by Rs. 36,000 provided for the creation of 5 permanent and 5 temporary Extra Assistant Commissioners.'

The only point I have in view in moving this motion is to draw the attention of Honourable Members to the stamp of officers recruited for the Provincial Service in the North-West Frontier Province . . . .

(Cries of 'Louder, louder.')

**Mr. Denys Bray:** I greatly regret that I have not yet heard a single word.

**Rai G. C. Nag Bahadur:** I want to draw the attention of Honourable Members to the reply given by the Honourable Mr. Denys Bray to Question No. 170 put by my friend, Mr. P. L. Misra. Mr. Denys Bray said:

'Of the nine permanent Munsiffs, one is a B. A., one an F. A., six are Matriculates, and one has studied up to the Entrance Standard.'

Of the four officiating Munsiffs, one is a B. A., one a Matriculate, one a Matriculate who has read up to the F. A., and one has passed the Middle School Examination and read up to the Matriculation. Their permanent appointments are, respectively, Translator, Divisional Court, Dera Ismail Khan; Muharrir, Judicial Commissioner's Court; Naib Tahsildar; and Reader, Divisional Court, Peshawar.'

These are the class of persons who are recruited for this Service. Now, it will appear that somehow men of a very inferior stamp are recruited for this important Service. I would point out that none but graduates of very superior academical qualifications are recruited for this Service in other provinces, and their initial pay is fixed at Rs. 300 per mensem. Now, if the North-West Frontier Province imports into this Service men of such inferior qualifications, I object to its paying such a high rate of salary, which is that fixed for a much better class of men in other provinces.

**Mr. Denys Bray:** I am sure the Honourable Member will bear with me if I say that throughout his speech I was a little hard of hearing. If I understood him aright, he is moving his motion No. 275. (*Rai G. C. Nag Bahadur*: 'Yes'.) Well, that question was gone into very carefully by the Standing Finance Committee. It came originally before the Standing Finance Committee in the form of a proposal that 18 temporary posts, which had been in existence in the North-West Frontier Province for some time, should be continued for the next year. The Standing Finance Committee, in a very businesslike way, I thought, insisted that the whole question should be gone into and that the Standing Finance Committee should be presented with proposals to make permanent such of those existing temporary posts as have proved their necessity, and that the rest should be eliminated as far as possible. On the advice of the Standing Finance Committee, therefore, the whole question was gone into and, as a result, we received proposals from the Chief Commissioner, the gist of which was that five only of those 18 existing temporary posts should be made permanent, that five others should be kept on for the time being on a temporary basis, and the rest abolished. That is to say, these measures which are now before the House involve an immediate decrease of Rs. 27,000 a year, with a good prospect of a further decrease the year after.

If I understood aright the few words that I did catch of the Honourable Mover's speech, he asked why it is we recruit men in the North-West Frontier Province for the Provincial Service with inadequate qualifications. May I remind him that amongst the members of the Judicial Service there are six men who were recruited from the Bar.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, there is one thing in common between me and my Honourable friend, Mr. Bray, and, it is that both of us are plain men of business. I do not lay any claim to dialectics or to any other objectionable thing. Sir, the appointment of these officers could very well have been justified on a ground which was once mentioned by my Honourable and distinguished friend, Sir Godfrey Fell. My Honourable friend, Mr. Bray, could very well have said that, even though these men were not graduates, even though some of these men had not gone beyond the Middle School Examination, they had that indefinable and undefined quality which in official parlance is called character. If you have character, it is not at all necessary that you should have any intellectual equipment. On that ground and on that ground alone these appointments could have been justified, and I deeply regret that my Honourable friend, Mr. Bray, on account of his Oxford culture could not put forward this argument, which would have at once extinguished my Honourable friend, Mr. Nag. (Hear, hear.) Sir, this Standing Finance Committee is becoming a pure and veritable engine of oppression. (Hear, hear.) Whenever in this Assembly we come forward with a suggestion, we are told 'How dare you object to it? Here is your Finance Committee; that Committee, with supreme power, financial as well as political, has gone into these matters and it has come to this conclusion. How dare you question it?' (*A Voice*: 'Shame.)' Sir, I might say with all respect to my friends of the Finance Committee that the Finance Committee is a creature of the Assembly (Hear, hear), and surely nothing that the Finance Committee does can deprive us of our right of looking into any question whenever we please. (*Mr. Samarth*: 'Nobody said so.') There are some of us, Sir, who are anxious to interject remarks. The Honourable Member says 'nobody has said so'. Might I ask my friend then why is this irrelevant remark made every now and then, perhaps often when some matter that has been considered by the Finance Committee is brought forward by any non-official Member. (*A Voice*: 'Not irrelevant.') My friend says 'not irrelevant.' Quite so. It was therefore that I drew attention to it because it was considered to be relevant, inasmuch as the Finance Committee had gone into the matter. Sir, I should like the Department responsible for the administration in the North-West Frontier Province to tell us what has been done in regard to the Resolution that was moved by my friend, Sir Sivaswamy Aiyer, in the Simla Session. It will be in the recollection of the House that a Resolution was moved by my friend advocating that

the judicial administration of the North-West Frontier Province should be transferred to the Punjab, and that a Committee should be appointed to investigate. I will give the exact words:

'Whether the separation of the 5 administered districts of the North-West Frontier Province from the Punjab Province has fulfilled the expectations of the Government of India from the political, military or financial point of view or whether it has been attended without any substantial advantage to the internal administration and whether it is expedient to re-amalgamate the said districts with the Punjab Province leaving under the direct control of the Government of India the political administration of the administered tracts of the British side of the Durand line.'

Sir, in replying to this Resolution, my Honourable friend . . . .

**Mr. Denys Bray:** Sir, I am most reluctant to suggest that my Honourable friend, Mr. Iswar Saran, is speaking a little bit off the motion before the House, but may I, as the subject has been broached, just remind the Honourable Member if any reminding is really needed, of the reply that I gave on the 11th February. This was the reply:

'Government have consulted the Government of the Punjab and the Chief Commissioner on the question of improvements in the judicial system of the North-West Frontier Province and have also been examining the other questions referred to in the Resolution. Other proposals have, however, been before them at the same time, notably a proposal for the establishment of a Legislative Council for the administered districts of the Province. They have therefore decided to appoint a Committee including non-official Members of the Legislature to consider both sets of proposals. It is hoped that the constitution of the Committee and its terms of reference will be announced shortly.'

**Mr. N. M. Joshi:** May I ask whether all the issues raised in the Resolution have been specifically referred to that Committee?

**Mr. Denys Bray:** The Committee itself has not yet been appointed, and the terms of reference not yet passed.

**Mr. N. M. Joshi:** Does Government propose to refer to the Committee all the issues raised?

**Mr. Denys Bray:** Speaking on the spur of the moment, I feel that I can say in general, yes. But if the Honourable Member means all the points that were raised not merely in the Resolution but in the debate, then most certainly, not. But the question of the amalgamation with the Punjab will be before the Committee; the question of a partial amalgamation with the Punjab, if wholesale amalgamation is impracticable - the question—that is of the amalgamation of the judicial administration will be before the Committee.

**Mr. Pyari Lal Misra:** May I ask whether Mr. Sivaswami Ayyar's Resolution suggested the establishment of a Legislative Council for the North-West Frontier Province?

**Mr. Denys Bray:** It did not. In the answer which I gave on the 11th February, which I have just had the honour to repeat, it was stated very clearly that:

'*Other* proposals (that is to say proposals other than those contained in the Resolution) have, however, been before them (that is, the Government) at the same time, notably a proposal for the establishment of a Legislative Council for the administered districts of the province.'

**Munshi Iswar Saran:** Sir, I think I am entitled to go on. I was perfectly sure that, when my Honourable friend, Mr. Bray, interrupted, his interruption was most kindly meant. He has really helped me by his interruption and I am indebted to him. The House has heard the Resolution that was moved by my Honourable friend, Sir Sivaswamy Aiyer, and accepted by the House and on that occasion the representative of this Department observed:

'The Government propose in the first instance to make an inquiry into this matter themselves and if as a result of that inquiry it appears to them that further steps should be taken, they will be prepared to take those further steps. I am not prepared to indicate at the present moment what those further steps will be.'

The House will please bear in mind that this debate was on the 21st of September, 1921, and now on the 18th of March, 1922, we are still left in the region of speculation. I hope my Honourable friend will forgive this word. It is proposed to form a Committee. When that Committee will come into existence, my Honourable friend does not tell us. (*A Voice*: 'Shortly'.) 'Shortly' is a comparative word. What may be shortly from the point of view of Government may be very long from the point of view of the House.

Then there is another matter. What are the terms of reference of that Committee? That is a very important matter. In answer to a question put by my friend, Mr. Joshi, Mr. Bray had to say: 'I am not in a position at the

spur of the moment to inform the House as to the precise terms of reference.' Sir, even if this belated Committee comes into existence. does this Department expect that this House should have a full dress debate before it can induce the Government to precisely lay down the terms of reference? I submit, Sir, that it is hardly fair to the House. The Government of India in spite of its multifarious distractions should pay some consideration to the Resolutious that are passed by this House. (Hear, hear.) The Resolution was passed on the 21st of September, 1921, and up to the 18th of March, 1922, nothing practical has been done.

I submit, Sir, that this is extremely deplorable, more particularly in view of the facts that have been brought out by my Honourable friend, Dr. Gour. Losses are taking place, kidnapping is going on men are being killed and wounded; and in spite of that the Government is only *thinking* about a Committee.

Sir, what I submit is this, that there is considerable risk and danger in delaying this matter any further If they wish to give security to the people there, and if they wish to give any satisfaction to this House, I recommend that the Government of India should lose no time in forming this Committee, and in formulating the terms of reference, so that the Resolution moved by my Honourable friend, Sir Sivaswamy Aiyer, should be given effect to. If they do not do it, I am afraid the verdict of this House will be very much against them.

**Sir Deva Prasad Sarvadhikary:** Without further confusing the issues I think on this motion the House should express its strong sense of dissatisfaction at the way in which this particular service is being recruited. I think Mr. Iswar Saran was not at all off the mark in bringing home to the Assembly, in the way that he attempted, this nondescript service details about which have only to be mentioned to provoke disapproval. This in itself may partly account for the state of things that exists there, which could possibly have been remedied by letting the judicial affairs of this Province be administered by a better equipped neighbouring service as recommended by the Assembly. But that higher question has not much to do with the question of efficient recruitment of the Judicial Service which is so well paid. A Committee such as has just been mentioned by Mr. Bray may be helpful or it may not; but in the meantime the Assembly cannot possibly consent to continued and rank inefficiency and to the service being recruited in the way that has been disclosed by the answer given to Mr. Nag.

I heard a remark some minutes ago by my Honourable friend behind me, as to whether the recruitment of the North-West Frontier Province Judicial Service was to be from Madras. I suppose we have got to go to Madras for many things, but for efficient recruitment of this service we need not go at all as far. Have we not got a distinguished Pathan Member of the Bar here and have not the Calcutta and the Punjab University been long at work in this Province? It is an insult to the past as well as the existing educational system in the Punjab to say that we cannot get efficient men if we want them, and to appoint middle school men to the responsible and important posts of administering justice as munsiffs or otherwise is to the least most unjustifiable having regard to the scale of pay. I think it is up to us to show our sense of disapproval and unsatisfaction at the way that the machinery for administering justice is provided in the North-West Frontier Province, and Mr. Bray does not touch that important and immediate issue before us.

**Rai G. C. Nag Bahadur:** I wish to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Dr. Nand Lal** (West Punjab: Non-Muhammandan): The motion which stands in my name runs as follows:

'That the demand under the head 'North-West Frontier Province' . . . .'

**Mr. Deputy President:** Order, order. I am afraid the Honourable Member will have to take his turn with regard to that motion. I am calling upon him to move his motion No. 277.

**Dr. Nand Lal:** Since I am moving motion No. 285, in the interests of economy of time, I shall reserve my remarks to be made there in the course of the debate which I shall raise there. I, therefore, do not move this motion.

The motion that I have to move runs as follows:

'That the demand under head 'North-West Frontier Province' be reduced by Rs. 12,90,950.'

General reduction.

Sir, some Honourable Members have got to make reference to the cases in which there is a great element of humour; but I am very sorry to say that here I have got to relate a sad tale in which all the factors taken together constitute nothing but a tragic account. Sir, you remember, last year, from the floor of this House it was narrated, and various reasons and grounds were advanced, in order to prove to the hilt, and I believe it was proved, that the administration of the North-West Frontier Province is defective. Then the same sad tale was told by Sir Sivaswamy Aiyer and supported by myself in Simla, and it was moved then that the North-West Frontier Province should be re-amalgamated with the Punjab, so far as the judicial aspect of that administration is concerned; and, in addition to that, various other proposals were made, and the Resolution in its entirety was passed by the very large majority of this Honourable House at Simla. As other Honourable Members of this House have already adverted to the details of that motion and various phases of the question now at issue, I shall not repeat them; but I respectfully submit that the Government of India has been sleeping over this very important affair. They may have a sufficient reason for this delay. Their intentions may be very, very good, and I am quite prepared to admit and recognise that their intentions must have been good; but they ought to see how the people will feel and in what light they take it; and here I am prepared to tell them that people are misconstruing their delay. (Hear, hear.) So far as the question of amalgamation of the judiciary with the Punjab High Court is concerned, it ought to have been allowed at once.

However the fact remains that the delay has been made, and I shall not thus dilate upon it more than I have already submitted as to that point. Now, Sir, when we look into these demands, we find that the amount demanded this year is more than that which was asked for last year. Are we here prepared to allow it? The money which was allotted last year was allotted with the greatest possible reluctance, and we understood then that the Government of India would kindly see their way to look to the troubles of the people and hear the humble voice of that dumb Province, and try to show some sort of improvement in the judiciary especially, but nothing has been done. Is there any justification for the Government now to come and ask us to give them more? I submit the whole House will unanimously agree with me that there is no justification at all. Sir, raids after raids are committed, dacoities after dacoities are committed, murders after murders are committed and complaints after complaints are made, and the stock arguments, the usual answers which are advanced are these: 'The Government of India are doing their level best. They could not do more than what they have already done.' Our humble submission, as representatives of the people, is that the Government of India ought to appreciate and accept the humble suggestions which were made and, since they are not appreciated effectively, therefore the administration is going from bad to worse. Only some time back a girl of 4 years was kidnapped. Only some time back a woman was killed. A *Lashkar* comprising hundreds of people raided a place called Gumal in the Tahsil of Tank and fell upon the poor and harmless people. They looted them and took away their moveable properties. There were complaints and these complaints, I may very respectfully submit, have not been taken into adequate consideration. They have, in a way, been brushed aside and I should say that only a lip sympathy has been extended to the sufferers. The Government of India of course deserves credit, for that sympathy, no doubt. We have been pointing out to the Government of India and we did this on various occasions that the subordinate judiciary there is very inefficient. As questions relating to their poor education and poverty of their qualifications have already been discussed by other Honourable Members, I need not reiterate the same thing. It can be said practically an admitted fact. In 1901, as it can be inferred from the remarks of an officer of great eminence, the pick of the Punjab Commission and the Punjab Provincial Service was generally reserved for the North-West Frontier Administration so far as the judicial side of that administration was concerned.

(At this stage Mr. President took the Chair.)

What do we see now? Very inefficient judiciary. I am told in a case the judicial record was tampered with. People who are employed and are put in charge of the judicial administration, barring a few instances, are not able to do justice to that branch of administration. Cases, as we hear, were dismissed in default in the presence of Plaintiffs. Now, when a sub-judge or a munsiff dismisses a case when the Plaintiff is present there in the Court, what trust, may I ask, can be reposed in that Judicial Officer? Will he be considered worthy of holding that post? The only explanation which could be set forth would be that it is done in the ordinary way at the end of the year; *viz.*, by the end of December when there are a number of cases which were dragged on and could not be disposed of, the sub-judges and munsiffs will

dismiss them in default, so that in the following year, that is in the first week of January, they may be restored and they may be considered as new cases. That is the only imaginary and unenviable explanation which could be advanced in the defence of that conduct of the subordinate judiciary. Now, I put this to the House. Will this House put up with this kind of explanation that a subordinate judge or a munsiff who conducts himself in this manner should be allowed to remain a member of this judiciary? I want the House to remember the fact that he has sometimes to decide very important cases. I think the majority of the House, barring a few Official Members, will agree with me that this is certainly a deplorable condition of affairs. The irregularities are not confined to subordinate judges. They are not confined to munsiffs. In some cases, as we have heard, the judicial officers of high status have steered themselves very wrongly, though in different ways It is no use criticising again and again. The fact remains and cannot be denied by the other side and consequently it is better that the full details of the defective side of the administration may not be disclosed. The Government of India cannot be requested too often. Now, Sir, the case relating to 'Gumal raid' is a case which will receive the sympathy of even a stone-hearted man. Apart from the defects in the administration, if we may look into the accounts, and the manner in which the money is spent, we shall feel forced to say that money is wasted. Now, take the item, which is meant for Militia. Do you know, Sir, what is called Militia? Militia is recruited from the Trans-border tribes and some of them are recruited from the Frontier tribes.

**Mr. Denys Bray:** The present Militia is recruited from men under British administration mainly.

**Dr. Nand Lal:** I am very thankful to the Honourable Mr. Denys Bray for this revelation to me. I am sorry the people of this country perhaps do not know this and perhaps the Government of India could not spare time to adequately advertise this fact. However, for the reasons given above and on the ground of retrenchment and also because I find that the money which is demanded is to be spent in a manner which does not deserve our approbation, I move this motion and I hope it will be accepted. That the character of the motion is very modest cannot be denied.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir, I rise to support the motion which has been moved by my Honourable friend, Dr. Nand Lal, on somewhat different grounds. I do not wish to base it upon the ground that the Resolution of this House of last September has been treated with scant courtesy. But I wish to base it upon broader and higher grounds of principle. When the partition of the North-West Frontier Province was carried out, it was estimated that the cost of the administration under the new regime would exceed its cost under the Punjab regime by a sum of 3 lakhs odd. The actual expenditure over the revenue under the Punjab regime, in so far as these districts were concerned, was 30 lakhs odd. It was estimated that by reason of the partition arrangements, the new province would cost a sum of 3 lakhs in addition. Now, what we find is that the expenditure has gone on steadily increasing and by leaps and bounds. The expenditure now is not 67 lakhs, as it was then, but 3,00,97,000 odd. It has risen on both sides, voted and non-voted and, deducting the revenue received, it costs the Government of India a sum of 2,27,59,000. The province is in fact a mill-stone round the neck of the Government of India. It may be said that a new province will naturally require more expenditure. But it is now more than 21 years since the partition was carried into effect. The period of non-age, even according to the English law, has passed and the Frontier province has now developed into lusty manhood. I do not see any reason why this province, which was separated for reasons, of which we did not approve, should continue to cost the general exchequer such a large sum as 2,27,00,000. If it had continued to cost the same amount which it had been costing the Punjab Government, namely, Rs. 36 lakhs odd, even then there would have been a legitimate ground for complaint to the tax-payer.

But now it is not confined to that amount and it has grown by about six times. That, I say, is a legitimate ground of grievance to the taxpayer in India. Somehow or other, the Government of India has become accustomed to the habit of treating these provinces as prodigal sons entitled to special privileges. We complain of this special treatment bestowed upon their prodigal offspring. It may be that the Government of India has a special partiality for its youngest offspring, the North-West Frontier Province, but that is not a reason which can commend itself to the elder brothers in the family or which can continue to receive their pecuniary support.

Now, Sir, it may be said in defence of this expenditure, 'You complained last year in Simla of the inefficiency of the administration and the insecurity of life and property, of the fact that the police arrangements were rotten, and that the judicial arrangements were unsatisfactory, and yet, when we want to improve the administration, when we want to improve education, public health, the judicial administration, and so on, you come here and oppose our proposals for expenditure. Is there anything more unreasonable than that?' That is the sort of the reply that is likely to be given now. My answer to that is this. I am not now complaining of the expenditure in these directions. Whether the province remains part of the Punjab or whether it remains separate from the Punjab, there are certain directions in which expenditure must, I concede, undergo a normal growth, there are directions in which the province must be developed and these various heads of expenditure must continue to grow. But I see no reason at all why certain other heads of expenditure should grow, and the only explanation is that they are due to the fact of the creation of a separate province. Charges for general administration must to a considerable extent be attributable to the fact that a separate province has been created. In other directions you may say that the expenditure would have gone on as it has gone on, but the creation of a separate province necessarily involves the reduplication of the supervising administrative machinery and the reduplication of head-quarters charges. Therefore, the general administration charges which have grown may much more logically and directly be attributed to the separation of the province. Then, again, it may be said that so long as it was under the Punjab the five administrative districts of the North-West Frontier Province did not cost anything to the Central exchequer. I am not aware that the Punjab Government administration, before the partition, was being run at a loss. I have referred to the Budget of the year 1901 and my recollection is that the Punjab Government, far from being run at a deficit or at a loss, was run with a surplus. That was the state of things under the Punjab Government; but the moment it came under the Government of India and they began to indulge in their course of lavish treatment of their pet child we find that the expenditure goes up by leaps and bounds.

Then, again, it may be said in defence of this expenditure that the North-west Frontier Province is a sort of buffer state, meant really for the protection of the other provinces of India and, therefore, it is a legitimate charge upon the other provinces of India and upon the general exchequer. But we know that this province did not cost a pie to the Central exchequer before the partition. It was part and parcel of the Punjab and the Punjab Government, so far as I am aware, did not ask for any sort of contribution from the Central exchequer as this province now asks for Rs. 2,27,59,000. We had all these advantages of a buffer state even under the Punjab *regime*. The State was there, it was a buffer whether it formed part of the Punjab or whether it came directly under the administration of the Government of India. But, prior to the partition, it cost the Central exchequer nothing; subsequent to the partition it costs us 2 crores odd of rupees.

Now, Sir, there are one or two principles of policy which I think may be safely laid down beyond the possibility of contradiction, and they are these. If any people who form part of a province wish to separate themselves from that province and form a separate administration, then it is only right and just that the new province should pay its own way. It may perhaps be in need in the first year or in the second year, but whichever section of the population of a province wishes to separate from a province and form a separate province, I would lay down without hesitation the principle that the new province should pay its own way and, if it cannot pull its own weight, then the demand for partition is unreasonable and, in the interests of the general taxpayer, should be resisted.

Then, Sir, another principle which I think may be laid down with reference to the special circumstances of the administration of India is this, that this policy of direct administration of a province by the Government of India is an expensive and extravagant policy and is one which ought to be discredited. Now, look at this province; look at the other provinces. So far as expensiveness goes, so far as unproductiveness goes, the North-West Frontier Province perhaps compares with the Andamans and the Nicobars; I do not know of any other province with which it can be compared. Now, you will find that all these small enclaves and administrations which the Government of India sets up under its own control are enormously expensive. I have some knowledge of the administration of Coorg. I am only referring to Coorg *en passant* as I know that Coorg is not a subject coming up under this Resolution. There were two views about Coorg, as to whether it should be annexed to Madras or not. I know there was one body of people who

thought that it was very foolish of the Coorg planters and others to ask for annexation to Madras, the reason being that although they might derive certain political advantages if annexed to Madras, yet they could get a lot more money out of the Government of India for keeping their roads in excellent, first class condition and for other local purposes. f the Coorg Province had passed under Madras, whatever political advantages they might have enjoyed, they probably could not have squeezed so much money out of the administration of Madras as they could out of the Central Government. The same, I believe, must be the experience of all these other provinces, but whatever it might be possible to say in defence of these petty little enclaves, which are surrounded by Native States, and for which it is necessary to make some sort of provision, I see no justification for keeping separate a province which adjoins another big province, and the sooner it passes from the direct administration of the Government of India the better.

Now, Sir, it may be said that orators from Cape Comorin do not understand the intricacies of foreign politics, and it may be said that lawyers do not understand the arcana of the Foreign Department. I confess I was a lawyer, and I confess that I hail from the south of India; but I do claim that we, the Members of the Assembly, have a right to criticise the policy of the Government of India with regard to the expenditure which is incurred upon the maintenance of provinces, and I claim that we have a right to examine the results of the policy of the Government of India in the light of such common sense and such information as we may possess.

If there is one truth which more than any other has been impressed upon me in the course of my studies on this question, it is the truth and the force of Sir Mackworth Young's statement that the complex machinery of British administration cannot be fitted into the framework of a small province. All the results by way of expenditure and by way of the inefficiency of the administration or otherwise are in my opinion directly attributable to the small size of the province. However, let that go. I am not now directly concerned with the question whether the partition ought to be maintained or undone. But what we are entitled to claim is that we, who represent the general taxpayers of India, shall not be called upon to shoulder the burdens of our youngest brother even after he has grown into manhood.

Now, Sir, let me refer to one or two directions where the axe may easily fall. Take, for instance, the General Administration. It has now risen to 19 lakhs. It was very much less originally. The general administration cost 15 lakhs odd in the year 1920-21. In the revised estimates of 1921-22, it cost 17 lakhs odd, and in the Budget for 1922-23 it costs 19 lakhs odd. Now a large part of general administration being due to this vicious policy of separation, and being, as I say, not unavoidable, and being incurred merely as a consequence of this policy, it is only fair and proper that those who claim the benefit of this luxury should pay for it and not the Government of India.

I will only refer to one other item. There is an item of Rs. 1,18,51,000 under Non-Votable. I am not going to discuss it. In the details I find that of this sum Rs. 61,45 000 are provided for 'Special Political Expenditure'. I do not know whether that term means the same thing as the expression 'confidential communications' which Lord Curzon used in one of his despatches. What those 61 lakhs are for is not clear. I do not know whether they are confidential communications in the sense of expenditure on the trans-frontier tribes—that was the sense in which Lord Curzon used the expression. Whatever it may be, and whether you lay the axe at the root of the political charges or of the general administration or on some other head, I am quite sure it would be quite possible, it ought to be possible, to cut off this sum of Rs. 12,90,000. As it is, the House would have been justified in taking up the attitude that it will not be responsible for this sum of Rs. 2,27,59,000 *minus* the sum of 30 lakhs odd which the province cost at the time of separation. But the Members of the House, I am sure, are not disposed to be vindictive, or to interfere or wish to interfere with the normal growth of expenditure in the various departments. I think that the Members of the House will be exercising great moderation in limiting the demand for reduction to Rs. 12,90,000, and I hope they will assent to this motion without the least compunction.

**Dr. H. S. Gour:** Sir, I move that the other speeches be now limited to five minutes, and, after four, to three minutes, except the first speech of the official Member in charge which should be limited to 10 minutes.

**Mr. Abdur Rahim Khan** (North-West Frontier Province : Nominated Non-Official): Sir, I have been listening with great pleasure and with mixed feelings to the speeches delivered by the Honourable Members. I do not question for a moment their good intention ; but I must say that they have been wrongly approached and the information which they have got is not true. My Honourable friends have been laying great stress on this point, that the amalgamation with the Punjab will put an end to the dacoities and will turn this perpetual unrest into an eternal rest . . . .

**Dr. Nand Lal**: On a point of order, Sir, our information is based on statistics.

**Mr. Abdur Rahim Khan**: I am coming to that, if you will kindly sit down, please. I would like to enlighten Honourable Members about the Frontier situation and I am going to answer them and prove to their satisfaction that the number of expeditions since the separation from the Punjab is less than before ; and I have got documents in my hand. When this province was not separated from the Punjab, during 50 years, we had 40 expeditions or there was an expedition once in every fifteen months ; and mind you, Sir, at that time the situation of the tribes was quite different ; there were hardly any people there who knew what was a Martini rifle. Now the situation is quite different. I have got documentary evidence in my hand that in the independent territory the total number of up-to-date European-made rifles is 1,40,498 ; and I will bring to the notice of the House that the strength of the fighting men up to 1st April, 1921, is 4,24,419. Sir, when these people have got these rifles and when there is universal unrest all over the world, what expectation these Honourable gentlemen have got that these people when they have got these rifles which they bought for their own benefit, how can they expect them to behave ? The only thing I can say is that the British arm should be strong ; that is the only thing with which you can crush them ; otherwise, as I said the other day—unfortunately His Excellency the Commander-in-Chief was not present then, but he is present now, I am glad to see, and I may mention the fact in His Excellency's presence—that if there is a chance of these tribesmen combining together, I do not know what will be the position of Government, how many troops we will require against them for defensive, not offensive purposes. What I mean is this, that great stress is laid on the defectiveness of the administration. If you consider the political situation and the military situation, we should be thankful to both of them. It is due first to the political officer, that they did their level best, that they did not give a chance to these tribesmen to rise all at one and the same time. About the military people, if I am not mistaken, the whole line from Chitral to Quetta is not less than 800 miles. We have not got sufficient troops to defend the whole line against all these frontier tribes ; but I can say this from personal knowledge, that this is the first time in the history of the English army on the frontier that they did not hesitate even to march at 2 o'clock in the cold morning in order to take up a position ; they fought like the best soldiers and I can say that Indian history will be proud of their deeds and adventures. Now, Sir, the difficulty is this, that the Honourable gentlemen mixed two things together. They do not see the military side of the province and the administrative side of the province. Unfortunately geographically we are situated so near the frontier and our situation is so awkward. If for instance you bring Madras in the place of these five settled districts, do you mean, Sir, that this place will not require the same amount of military expenditure? As Honourable Members are laying stress on this point, I shall be untrue to my community if I do not refute it. I am proud of my province and I say this much ; there is defect in the judicial line ; but I say this, that the defects should be removed ; let us have all the privileges which are given to the Punjab or any other province in our own province. We do not want that judicially we should be amalgamated. There is another thing. If we are judicially amalgamated with the Punjab, do you think we will be in a position to serve two masters? At this occasion I am obliged to quote that well-known expression here. If I may be excused for using that expression :

> 'One is enough to plague once's life through.
> It is the Devil to be saddled with two.'

We will be in a very awkward position, and I can say with authority, that if we are amalgamated with the Punjab, after two or three years or even five years this whole province will have to be amalgamated with the Punjab. When this province was separated, it was not with the idea of facilitating the judicial administration of the province. It was because the Government of the Punjab was the medium between the Government of India and the people which used to cause great delay in correspondence, in order, therefore, to avoid such long delays, this province was separated

and the responsibility was taken away from the shoulders of the Lieutenant Governor of the Punjab.

I might tell you another thing, Sir. I am grateful to the Honourable Members of this House, for their sympathy, but they must realise that as true citizens of India they must look to the interests of the 95 per cent. of the people, not only 5 per cent. If these Honourable speakers are approached by 95 per cent. people, then they are perfectly justified and I will join hand with them, but if they are going to ignore the interest of 95 per cent., simply for the sake of 5 per cent. people, then I will be obliged to say that they are interest struck, pocket struck and hardly any of them conscience struck.

I shall just refer to the dacoity question. There are some defects in it. Now, what are these? I shall be the first to recommend that the Arms Act should be repealed in our province so that we may be in a position to defend ourselves. I must say this much that the officers in our province are doing their best to assist us. They are very kind to us. They have given us Government rifles, and in those villages where there are towers and rifles, people are in less danger of being attacked. My Honourable friend referred to the case of Gumal. I know the case very well. The condition was extremely bad, the people of the village were raided, the Superintendent of Police was there. He got wounded. The strength was not sufficient. Military help was sent after that. There were some grievances, no doubt. I was there myself as an arbitrator, and both the Hindus and Muhammadans of the place compromised the case. One frequently hears cases like these, that a man is kidnapped here and a woman is taken away there. So I say, if you do not realise the danger in future, I will say the position will be worse. You will have to maintain sufficient army there, and I spoke about it the other day. I am not one of those who would advocate the expansion of the army. I myself belong to the Bar. But I can say this much, coming as I do from the North-West Frontier Province and knowing the situation there, that the more you strengthen the army, the more you will make the people safe. It is not a mere luxury. With due respect to the Chief Judge or High Court Judges, I ask, if these gentlemen themselves would use Wizerd guns against those marauders and dacoits. Now the first thing essential is, the people should be provided with arms. Arms will command respect and your authority will be feared. With these few remarks, I strongly oppose this motion. I would request the Honourable gentlemen to take the trouble to go to the frontier in order that they may see the situation for themselves. I want the Honourable gentlemen here to go over there and mix with the people and then form their own opinion. I cannot describe the thing clearly before them for now it would be like describing a thing before a blind man. Those gentlemen who have been to Khyber, I am sure, will admit what sort of rifles the people make there. There are two things, you have to give them either bread or you have to give them bullet as was pointed out by my Honourable friend Mr. Shahab-ud-Din.

There was one remark which was made by Sir Sivaswamy Aiyer here which cannot be allowed to go unnoticed. He observed that the money which is now given to the Frontier people is a sort of bribe. I must strongly protest against it. It is nothing else but wages for different duties and responsibilities they have to perform and carry out.

If anything is taking place there, the whole community is responsible for that. They are doing their service.

I will add one thing more. If that is bad policy, I think this policy is followed everywhere by the Government. If that is called hush money, then I say that Government gives those who always oppose them something in the shape of one thing or another in order to hush them. With these remarks, Sir, I take my seat.

**Mr. Denys Bray:** Sir, the last speaker has made my task easy. He has spoken out of knowledge and I am sure that the House listened to him and his local knowledge with great respect. I feel myself that I can hardly do better than preface my own remarks by a reference to the delay with which Government have been charged in giving effect to the Resolution of this House of September last. But may I remind the House, Sir, that Government at that time opposed the Resolution entirely? They opposed the Resolution in the form in which it was put entirely; and they opposed the Resolution in part also in spirit. But what were the conditions then? We were then engaged in the Kabul negotiations, the issue of which was uncertain up to the last moment. Does the House really think that Government would have been justified in acting on a Resolution which they believed to be dangerous on a frontier so inflammable and at a time so critical as that? Then

when the negotiations were concluded, some breathing space was required to see what effect the result of those negotiations would have on the frontier and on the tribes. On the 11th of February Government announced its decision—a decision to recede somewhat from the position it had taken up, in order to meet the wishes of this Assembly. Yet we are charged here with gross delay, and scant courtesy to the House. There has been no lack of courtesy to the House. On the contrary. And if I am asked for the reason of the delay between the 11th of February and the 18th of March—a question put to me, I think, by Munshi Iswar Saran—I say but this. I thought it my duty to consult the protagonist of the debate of September last (who has also proved himself to be the protagonist of the debate to-day), both as regards the terms of reference about which my friend, Munshi Iswar Saran, seems to be doubtful whether they are going to be at all adequate and also as regards the general programme. Was I so very wrong? Unfortunately, Sir Sivaswamy Aiyer was absent from this House for some weeks. But the very first day he appeared in this House I sought his counsel, and I have received it. But the delay is immaterial anyhow, for the Committee will surely have no opportunity whatsoever of getting to work before this Session is over. As soon as the Session is over, I hope that the Committee will be able to sit down at once to work. And if I may turn for a moment to the Democratic Party, let me say that it will greatly assist Government if they will suggest to me hereafter one name, or better two names, to enable Government to nominate one member of their Party to sit on the Committee. (Hear hear.)

**Rao Bahadur T. Rangachariar:** We will gladly do so.

**Mr. Denys Bray:** Sir, I regret I was unable to catch your eye earlier in the debate. And for this reason. I am most anxious as a plain business man for the success of this Committee. But I feel that words have been spoken here to-day which will prejudice our work—angry words about 'rotten' administration, 'rotten' Extra Assistant Commissioners and 'rotten,' I know not what words which will make the task before us the more difficult. I would very earnestly ask Honourable Members who come after me to eschew recriminations, and allow the Committee to enter upon its labours in that dispassionate frame of mind which alone can secure adequate results for their labours. More especially would I beg that we keep out of the discussion anything savouring of a Hindu-Muhammadan controversy in the form of fitting the rights of the 95 per cent. of Mussalmans against the rights of the 5 per cent. Hindus.

Sir Sivaswamy Aiyer claimed the right to criticise, and he exercised that right to the full with his usual vigour and skill. But no one surely has ever suggested that he or indeed any body else should not criticise the administration by all means. What administration in the world has ever escaped criticism? Rail at the frontier, rail at the very existence of the frontier if you think that by so doing you will be able to relieve your minds of some of the very natural resentment India feels at having a Frontier so vulnerable and therefore of necessity so expensive. But I protest again that, in this railing against the existence of a land frontier and in this criticism of the Administration, Members of this House should pay their tribute to those gallant men under Sir John Maffey who are waging on your behalf and on behalf of India a constant warfare against lawlessness and depredations from across the border, waging it in conditions often full of hardship and at no time devoid of risk unflinchingly and uncomplainingly. (Hear, hear.)

Many points that previous speakers have mentioned I shall have to pass over in obedience to my own appeal for dispassionate inquiry. Thus it will be for the Committee to weigh very carefully and quite dispassionately the pros and cons of the present judicial arrangement, of the proposed amalgamation with the High Court of the Punjab, and of other proposals on this score, if any, that may be put before them. They will have to weigh, for instance, the extra efficiency which presumably one might get from amalgamation with the High Court against, let me say, the extra delay that would be entailed. For instance, the average duration in 1920 of first appeals in the Judicial Commissioner's Court was 35 days. In the Punjab High Court it was 1,329 days. The evils of prolonged litigation are obvious anywhere. On the North-West Frontier, where passions run high and recourse is had to arms on the slightest provocation, the evils of prolonged litigation are very grave indeed.

And now I will turn to the 'rotten' police. Let me take only the Frontier Constabulary portion of it, and in so doing, let me try to dispose also of the reference that has been made to the great increase of kidnapping. Now kidnapping. The holding of captives to ransom was first discovered by the frontier tribesman as a lucrative business somewhere about 1907. By 1919

in the general disturbance that came over the Frontier, kidnapping reached intolerable dimensions. Among the statistics that my Honourable friend, Dr. Gour, poured upon my bewildered ears earlier in the afternoon, the statistics of kidnapping for 1920 seemed to myself all too familiar. But Dr. Gour by quoting them under the year 1920 failed to convey the right impression to the House. For the year 1920, to which he referred, was really the year 1919-20, the year, that is to say, after the Great War and year of the Afghan War, the effect of which on the whole Frontier it would be difficult to exaggerate. Now this Frontier Constabulary which is recruited in cis-frontier districts and officered by Police officers, patrol our borders protecting our villages against raids and indulging in counter offensives wherever possible, to bring home to the Frontier tribesmen that two can play the same game. The statistics I have before me, though not so exhaustive as Dr. Gour's are, I think very striking. Since last July to the middle of December, the Constabulary crossed the Frontier eight times, arrested and killed some 74 outlaws and compelled 50 more to surrender. They released 23 Hindus who had been kidnapped and 53 Muslims. Kidnapping, under this campaign of the Frontier Constabulary is *gradually*,—I am afraid I must accent the word, gradually—ceasing to be a paying concern. And the benefits of these campaigns of the Frontier Constabulary are being felt beyond the North-West Frontier into the Punjab districts of Attock and Mianwali. Much remains to be done, but what has been done is alive with great promise for the future. Let us acknowledge it. This sort of work means constant toil in heat and cold, great hardships, unremitting danger. Our losses, alas, have been serious since July! Mr. Andrew was killed in action. Messrs. Vickers, Du Heaume and Perrott were wounded, and 10 other ranks killed or wounded. These are serious losses in a force so small. But the work of the Frontier Constabulary, though it meets apparently with scant recognition at the hands of some Members here because they are imperfectly unaware of it, has met with great recognition from the people themselves. There was a public demonstration at Mr. Andrew's funeral. The Hindu and Muhammadan communities alike came forward and at the graveside presented the Deputy Commissioner with an address of sympathy and gratitude. It is this sympathy and gratitude of the people themselves that heartens our Frontier officers, and I ask the House to join with me when I say that I take off my hat to Mr. Handyside and the gallant men of the Frontier Constabulary. (Hear, hear.)

Now these budget demands, of course, are heavy. No one can seek to deny it. But I confess that I was somewhat bewildered by the very ingenious arguments of Sir Sivaswamy on this score, if indeed I followed them aright. He seemed to be endeavouring to prove that in the old days the Punjab ran the North-West Frontier at a profit, and that we should now hand the Frontier back to the Punjab and let them run it for nothing. It is surprising that such a proposition should be made in this House. It reminds one of those many simple solutions that have been put forward for solving the Frontier question by getting rid of the Frontier altogether. 'Back to the Indus,' say some. Well, I think we have killed that idea. If I understand political India aright, it will never permit it. Will political India betray the British districts? (*Sir Dera Prasad Sarvadhikary*: 'No.') 'Hand over Waziristan to Afghanistan", says Dr. Samarth. (*Mr. N. M. Samarth*: 'Plain Mister.') I beg his pardon, he is so learned, I thought he must be a Doctor. Mr. Samarth says, 'Hand over Waziristan to Afghanistan'. Here again I must speak with the utmost discretion, and cannot enlarge upon the wider implications. But let me make one point only. Does Mr. Samarth think that the Wazir and the Mahsud would cease their raiding? Can a leper change his skin, or the leopard his spots so suddenly? Every raid under those circumstances would be an international affair, and a provocative, not of a mere Frontier Expedition, but of War. Then there is the suggestion to hand over the Frontier, on a contract to some Indian Chief. And as the Sikh is a gallant man against the Pathan, let it be handed over by preference to a Sikh. Well, we have had no bid yet. (Laughter.) But even if we had, is political India going to find its Frontier solution in this way? Is the solution of India's problems to be on these lines? If you begin your solution on these lines, where is it going to end? Then we have suggestions from outside to cut down your Police and Constabulary and to cut down your Army and simply mass flights and flights of æroplanes on the Frontier. I do not know what His Excellency the Commander-in-Chief will say to that. All I can say is that this suggestion which betrays a naive ignorance of the physical condition of the frontier hills and the habits of the Frontier tribesmen, came not from Madras but from a country many thousands of miles further away from the Frontier. The further away from the Frontier you go, the more ingenious

the ideas on the subjects. (Laughter.) Then, the naivest suggestion of all, I think, is Sir Sivaswamy Aiyer's solution. Hand the Frontier over to the Punjab and forget all about it; the Punjab will pay your bill. Now, I myself am no believer in ingenious solutions. I take stand myself on humdrum commonplace common-sense. You have got this frontier problem and you will continue to have it, for even if the Punjab should take the administration off our hands, even then, we and not the Punjab will have to pay the bill. And then we are asked why we went to Waziristan.

**Dr. H. S. Gour:** Who asked that, Mr. Bray ?

**Rao Bahadur T. Rangachariar:** That question was not asked now, but probably some time ago. We are pressed for time. The Honourable Member may reply to any criticism raised now.

**Dr. H. S. Gour:** I move that the question be now put.

**Mr. President:** I consider that an impertinent suggestion.

**Dr. H. S. Gour:** I thought Mr. Bray had finished.

**Mr. Denys Bray:** With due deference, Sir, in view of the objection of Mr. Rangachariar to any reference to Waziristan, I will very gladly resume my seat. Does the House wish me to go on or not? (Cries of 'Yes'.) Well, what I was about to say was that Dr. Nand Lal and Dr. Gour between them have to-day given the real reason why we have gone into Waziristan. The kidnapping, the murders, the raids of these Mahsuds and Wazirs were so intolerable that no self-respecting Government, no Government with any sense of sympathy for its fellow-subjects, could put up with such a state of affairs any longer. (Applause.) Now in the process of this campaign that was forced upon us, after heavy fighting, after very heavy losses, we penetrated into the heart of the Mahsud country. And what did we then find ?

I have here statistics which I think will interest the House. I will take those of Dera Ismail Khan only. From the 1st April, 1919, to 31st March, 1920, there were 198 raids, 127 British subjects were kidnapped, and something like 12 lakhs of property were looted. Then we found ourselves in the Mahsud country. In the same period in the next year the raids went down to 84, the British subjects kidnapped were 36, and the property looted was Rs. 88,000 and I rejoice to say that all those 36 kidnapped were recovered without ransom. (Hear, hear.) Even these statistics I admit—'admit'? 'deplore' is the right word—are bad. Much more remains to be done, but the drop in the statistic is full of promise. Indeed as far as we can see into the future of this Waziristan problem, there is real reason to believe that we are within sight of the solution that we seek. The Mahsuds and Wazirs are tired out. They appear to be ready to come to a full settlement and to co-operate with us.

It is not as if we were contemplating the same number of troops next year, or expenditure on the same scale. On the contrary, our object is to maintain some hold in the centre of the Mahsud country with the minimum number of troops, *plus* irregulars, and what we call Khassadars. It is herein that the explanation lies for this special political expenditure in Waziristan amounting to 60 lakhs. It is made up roughly of two things; first, irregulars and Khassadars, and, second, the building of roads, and in particular of a most important lateral communication road within British territory itself, a road we sadly require to give us a chance of cutting off raiders.

I would like to say one word about the Khassadars, chiefly because Sir Sivaswamy Aiyer seems to think that we are going to throw away our money on bribes. As a frontier officer, my experience is that old methods are likely to prove the best, and the Khassadar system is an adaptation of one of our very oldest frontier measures. It is based on the association of the tribes with us in the administration of their country, however loose it may be and the insistence on tribal responsibility, on which my Honourable friend, Mr. Abdur Rahim, has enlarged. Than the Government of the frontier by the tribesmen themselves, there is no cheaper or more effective mode of frontier administration. What the tribesmen say in effect is: 'Employ us on the watch and ward and general administration of the country, and the responsibility for peace and quiet rests with us. Employ your own men only and you clearly remove the responsibility to your own shoulders.' We have tried this Khassadar or levy system in Baluchistan, and its success in Baluchistan is well-known. We have tried it again more recently in the Khyber and the results there have been striking. We are now beginning to try it in Waziristan and, in spite of the evil forebodings of some of us, the Khassadars are making a good beginning. And I myself entertain great

hope, even confidence, that, in the extension of the Khassadar system in Waziristan we shall, if only we are patient and steadfast, find a real solution of our difficulty. (Hear, hear.)

**Rao Bahadur T. Rangachariar:** May I ask, Sir, that the question be now put? Much as I am tempted to speak, I shall refrain from doing so.

The motion was adopted.

The Assembly then divided as follows:

AYES—49.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Das, Babu B. S.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Samarth, Mr. N. M.
Sarvadhikary, Sir Deva Prasad.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.

NOES—47.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Asjad-ul-lah, Maulvi Miyan.
Barodawala, Mr. S. K.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 1,03,49,050 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'the North-West Frontier Province'.'

The motion was adopted.

BALUCHISTAN.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 26,81,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Baluchistan'.'

**Rao Bahadur T. Rangachariar:** Sir, I move:

General reduction. 'That the demand under head 'Baluchistan' be reduced by Rs. 361,300.'

This is an ordinary motion and I commend it to the House.

**Mr. Denys Bray:** Sir, the House need not be alarmed. I do not propose to inflict on them another speech. I will simply remind the House that Baluchistan is a great block of 134,638 square miles or one-thirtieth of the whole of India. By working out a simple arithmetical sum they will

come to the conclusion that square mile for square mile it is the cheapest run Province in the whole of India. It is also the one part of our great North-West Frontier which is not constantly reminding us of its existence. I affirm that if you make this reduction, you will be jeopardising the efficiency of a most efficient and cheap administration and the security of the most peaceful part of our valuable North-West Frontier.

**Mr. N. M. Samarth:** Sir, I beg to oppose this motion. Whatever my own views may be about Waziristan, I do think that, so far as Baluchistan is concerned, General Sandeman, whose name is associated with it, must be remembered as the man who has made Baluchistan what it is to-day. I have no time to reply to Mr. Bray as to what he said on the previous occasion in regard to the foreign policy pursued by the Government of India. I will not take up any further time except to say that on behalf of myself and my Party I support the Government in this demand.

The Assembly then divided as follows:

AYES—39.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Das, Babu B. S.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Iswar Saran, Munshi.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. P. L.
Misra, Mr. B. N.
Mudaliar, Mr. S.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.

NOES—51.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Asjad-ul-lah, Maulvi Miyan.
Barodawala, Mr. S. K.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bryant, Mr. J. F.
Bray, Mr. Denys.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Hussainally, Mr. W. M.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Shahab-ud-Din, Chaudhri.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 26,81,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Baluchistan."

The motion was adopted.

DELHI.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 30,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Delhi.''

**Rao Bahadur T. Rangachariar:** Sir, I beg to move:

General reduction. 'That the demand under head 'Delhi' be reduced by Rs. 1,68,950.'

I do not think many words are needed in support of this motion. I am not moving this with any encouragement derived from the fact that my Honourable friend, Mr. Jamnadas, has also got a similar motion to reduce this item by one lakh under this head. He had a similar motion under No. 47 on which I relied, but, having regard to the attitude of the National Party on that occasion, I do not place any reliance on their motions. I stand on my own legs and on the strength of my Party.

**Mr. N. M. Samarth:** Sir, there were many motions which stood previously in the names of certain Members of the Democratic Party, and which also stood in the names of certain Members of the National Party, but that is no indication of the attitude which this Party is going to take in regard to the present motion. (Hear, hear.) We stand on the motions that are brought before this House and on their own merits. (Hear, hear.) If we think that, after calculation of the figures, there is any possibility of reducing the expenditure to the tune that is proposed, we vote for it. If we think that there is no such possibility, we do not vote for it. But if the attitude is that this 5 per cent. reduction should be made in every Department, whether it admits of it or no, then we say we oppose that attitude. (Hear, hear.) I will not say anything further on this motion.

**Chaudhri Shahab-ud-Din** (East Central Punjab: Muhammadan): Sir, last year in this very Chamber I supported very strongly the demand for constructing and completing New Delhi . . . .

**Mr. President:** This is a demand under head 'Delhi,' and not for the construction of New Delhi. There is a vote for that later on.

**Chaudhri Shahab-ud-Din:** I support this motion, Sir. While we should not go on reducing the expenditure regardless of consequences, if and when there is a possibility of reduction we must do it. We must not vote simply because we have made up our minds to vote for or against an item. I endorse the motion.

**The Honourable Sir William Vincent** (Home Member): Sir, I shall not be tempted by the good fortune of Government on the last vote to oppose this reduction, though I really had some reasons to believe that the demand would be for a reduction of a smaller sum. I am, however, prepared to say that the Government prefer to reduce this demand by Rs. one lakh. (Hear, hear.)

**Rao Bahadur T. Rangachariar:** I accept it, Sir.

**Dr. H. S. Gour:** I hope, Sir, I may be permitted to add a few words. The acceptance is on the very express condition that no reduction be made in the Educational grant under sub-head 31 . . . .

**Mr. President:** Order, order. The Honourable Member has moved for a general reduction on the whole demand. There is no question of any sub-head.

**Dr. H. S. Gour:** It is perfectly true, Sir. At the same time I am bound to ask the Honourable the Home Member whether any reduction could be . . . .

**The Honourable Sir William Vincent:** The Honourable Member may ask any question he likes, but he is not going to get an answer on this occasion He has asked for a reduction, and he is going to get it. Under what particular heads it will be made is another matter.

**Mr. Jamnadas Dwarkadas:** I think I am called upon by the remarks that were made by my Honourable friend, Mr. Rangachariar, to say that I and the Party to which I have the honour to belong support the motion that he has moved. I may at once tell my Honourable friend, Mr. Rangachariar, that the Party to which I have the honour to belong will not vote blindfoldedly because the Democratic Party has decided upon a certain course. I can point out instance after instance of notice of motion for larger reductions being given by the leaders of the Democratic Party which they have not moved here, and which they have withdrawn. Dr. Gour's motion for 25 lakhs was withdrawn even in the last item. But, Sir, we vote as we think proper. (Hear, hear.) If the speeches here convince us that we ought not to press a reduction, we certainly allow ourselves to be convinced and vote accordingly. I have great pleasure in supporting this reduction.

**Mr. President:** The question is that that reduction be made.

**Rao Bahadur T. Rangachariar:** The Honourable the Home Member agreed to a reduction of 1 lakh of Rupees, and I accepted it.

**Mr. President:** The motion before the House is:

'That the demand under head 'Delhi' be reduced by Rs. 1,68,950.'

The motion was negatived.

**Mr. Jamnadas Dwarkadas:** I move, Sir:

'That the demand under head 'Delhi' be reduced by Rs. 1,00,000.'

I thought the Democratic Party had accepted the Honourable the Home Member's suggestion.

**Rao Bahadur T. Rangachariar:** I am very glad, Sir, to part with the honour to my Honourable friend, Mr. Jamnadas Dwarkadas.

**Mr. President:** The question is that that reduction be made.

The motion was adopted.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 29,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Delhi'.'

The motion was adopted.

COORG.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 12,62,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Coorg'.'

**Rao Bahadur T. Rangachariar:** Sir, I move:

General reduction. 'That the demand under head 'Coorg' be reduced by Rs. 69,200.'

Sir, in view of what fell from the Honourable the Home Member yesterday, I am sure he will be able to effect greater reduction, if not transfer the whole of the province to Madras, and therefore I think this is a very modest proposal which will find acceptance with the Government.

**The Honourable Sir William Vincent:** Sir, I think I can assure the House that we shall be able to make a reduction of Rs. 60,000. Further than that I am not sure. We are, however, making inquiries and if we are able to go further we will do so. I hope that this will meet the Honourable Member's wishes.

**Rao Bahadur T. Rangachariar:** If my Honourable friend wants the substitution of the figures 'Rs. 60,000', then I will amend my motion by the substitution of 'Rs. 60,000' with your permission, Sir.

**Mr. President:** The question is:

'That the demand under head 'Coorg' be reduced by Rs. 60,000.'

The motion was adopted.

**Mr. Jamnadas Dwarkadas:** Sir, I withdraw my motion* in favour of Mr. Rangachriar's motion, and I stand by him.

**Mr. President:** The question is:

'That a reduced sum not exceeding Rs. 12,02,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Coorg'.'

The motion was adopted.

AJMER MERWARA.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 15,11,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Ajmer Merwara'.'

**Mr. Jamnadas Dwarkadas:** I beg to move:

General reduction. 'That the demand under head 'Ajmer Merwara' be reduce by one lakh.'

It is very nearly 5 per cent. So I hope the Honourable the Home Member will accept this reduction.

* 'That the demand under head 'Coorg' be reduced by Rs. 50,000.'

**Mr. Denys Bray :** Sir, as I told the House the other day, we are making every effort to retrench Ajmer Merwara entirely by foisting it on to another province. So far we have not succeeded. Anyhow we do hope that we shall be able to reorganise the judicial arrangements and thereby effect some retrenchment.

The motion was adopted.

**Rao Bahadur T. Rangachariar :** I do not move my motion. I have got a larger reduction than I wanted.

**Mr. President :** The question is :

'That a reduced sum not exceeding Rs. 14,11,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Ajmer Merwara'.'

The motion was adopted.

ANDAMANS AND NICOBAR ISLANDS.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 52,39,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Andamans and Nicobar Islands'.'

**Mr. J. Hullah :** I move :

'That the demand under sub-head '8.—Forest' be reduced by Rs. 5,25,000.'

This motion, I think, entitles me to ask for a seat among the followers of Mr. Rangachariar. It represents a reduction in the total Budget provision, not of 5 per cent. but of over 9 per cent. I am no mere 5 per cent., democrat. I am a super-democrat.

The provision that we have made for freight on timber is more than we now expect to need. I, therefore, make the motion and I hope that Mr. Rangachariar will abandon his own.

The motion was adopted.

**Rao Bahadur T. Rangachariar :** As my Honourable friend, Mr. Hullah, has given me more than double of what I wanted, I abandon my motion.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 47,14,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Andamans and Nicobar Islands'.'

The motion was adopted.

RAJPUTANA.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 5,03,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Rajputana'.'

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, I beg to move :

'That the demand under head 'Rajputana' be reduced by Rs. 65,400.'

I would not detain the House long in putting forward my grounds for this reduction. I will only say that this province is the smallest of all the provinces in British India and probably not bigger than a Tahsil of a British district. The revenue of this province is as much as that of Coorg and Ajmer Merwara and is about 16 lakhs while the expenditure in Rajputana as provided is about 6 lakhs more than that provided in Coorg or Ajmer. This province and the province of Ajmer Merwara have the same type of men inhabiting them. The nature, character and the condition of the country and the administration are almost the same in both. There is thus no apparent reason for the increase in expenditure in one province over the other. I will not attempt to take the House into the fuller details of the expenditure but shall simply confine myself to certain heads in which there is much scope for retrenchment. Take the Forest Department.

The contingencies amount to Rs. 3,000 out of a total amount of Rs. 3,800. No explanation has been offered as to why such a high amount for contingency has been provided. Similarly, Sir, take the case of administration of justice, there is not much litigation in this province. The diet and road money to witnesses comes only to about Rs. 250 ; this shows that there is not much litigation and criminal work and the department is not

large at all, still the contingencies with allowances amount to about Rs. 13,000, which is more than half of the total amount demanded under this head. Similarly, take the case of Police. In the Budget for 1920-21, the actual expenditure for travelling and other items was only Rs. 7,410, while the revised estimate for 1921-22 was Rs. 6,800. (*A Voice* : 'No.') The revised estimate, I beg your pardon, was Rs. 13,150, and this year the amount provided is Rs. 14,990. The increase in the revised estimate over the budget figure was, I presume, due to the Mooghia operations. This year there is no such fear and I do not think that it is necessary to provide such a high amount even if there were any such possibility. I propose that this amount, Rs. 14,990, be reduced by about Rs. 8,000 and the total amount be reduced to Rs. 7,000. Similarly, just look to the amount provided for clothing for the Police. Rs. 4,700 were provided for it in the Budget of 1921-22 while this year Rs. 7,500 are provided. I do not find the necessity of providing such a large amount for clothing for police, this year—the year of greatest financial stringency. Now under the head 'University' a sum of about Rs. 19,000 has been provided for the salaries of furlough Reserve Officers. I do not know who these dignitaries are and why have they been kept in this province alone. Further down I find that Rs. 1,320 have been set apart for salaries of two passed officers in the medical department for whom no posts are available. They could be posted in some other province. They should not have been trained at all when there was no likelihood of any vacancy for them in this province.

As shown by me, there is much scope for reduction under head 'Rajputana' and I therefore move that this demand be reduced by Rs. 65,400.

**Mr. Denys Bray:** I think I shall probably be serving the interest of the House best by not following the Honourable Member through his detailed examination of the various figures. We are trying to effect a reduction in Rajputana by doubling up some political agencies and medical arrangements. But such changes cannot be carried out on the spur of the moment or without very careful consideration of the various conflicting interests, but we do hope to effect a substantial reduction.

The motion was adopted.

**Mr. President:** The question is :

'That a reduced sum not exceeding Rs. 4,37,600 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Rajputana'.'

The motion was adopted.

CENTRAL INDIA.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 5,73,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Central India'.'

**Mr. S. C. Shahani:** Sir, I beg to move :

'That the provision under head 'Central India' be reduced by Rs. 68,550. This is the usual 5 per cent.' General reduction.

**Mr. Denys Bray:** Sir, the remarks I have just made regarding Rajputana apply here also.

The motion was adopted.

**Mr. President:** The question is :

'That a reduced sum not exceeding Rs. 5,04,450 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Central India'.'

The motion was adopted.

HYDERABAD.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 1,97,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Hyderabad'.'

**Rao Bahadur T. Rangachariar:** I beg to move :

That the demand under head 'Hyderabad' be reduced by Rs. 27,850. This is the usual five per cent. General reduction.

**Mr. Denys Bray:** This is a very small administration and it is exceedingly difficult to say the reduction can be effected. But the Government is prepared to effect retrenchment as far as possible.

The motion was negatived.

**Mr. Jamnadas Dwarkadas:** I beg to move :

'That the demand under head 'Hyderabad' be reduced by Rs. 10,000.'

I think this is a much more reasonable demand and ought to be carried.

The Assembly then divided as follows :

AYES—55.

| | |
|---|---|
| Abdul Majid, Shaikh. | Kamat, Mr. B. S. |
| Abdul Rahim Khan, Mr. | Lakshmi Narayan Lal, Mr. |
| Agarwala, Lala G. L. | Latthe, Mr. A. B. |
| Agnihotri, Mr. K. B. L. | Mahadeo Prasad, Munshi. |
| Ahmed, Mr. K. | Manmohandas Ramji, Mr. |
| Aiyer, Sir P. S. Sivaswamy. | Man Singh, Bhai. |
| Akram Hussain, Prince A. M. M. | Misra, Mr. P. L. |
| Asjad-ul-lah, Maulvi Miyan. | Mudaliar, Mr. S. |
| Ayyangar, Mr. M. G. M. | Mukherjee, Mr. J. N. |
| Ayyar, Mr. T. V. Seshagiri. | Nag, Mr. G. C. |
| Bajpai, Mr. S. P. | Nand Lal, Dr. |
| Barodawala, Mr. S. K. | Neogy, Mr. K. C. |
| Bhargava, Pandit J. L. | Pyari Lal, Mr. |
| Bijlikhan, Sardar G. | Rangachariar, Mr. T. |
| Bishambhar Nath, Mr. | Reddi, Mr. M. K. |
| Dalal, Sardar B. A. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Sarfaraz Hussain Khan, Mr. |
| Ginwala, Mr. P. P. | Shahani, Mr. S. C. |
| Girdhardas, Mr. N. | Singh, Babu B. P. |
| Gour, Dr. H. S. | Sinha, Babu Ambika Prasad. |
| Gulab Singh, Sardar. | Sinha, Beohar Raghubir. |
| Hussanally, Mr. W. M. | Spence, Mr. R. A. |
| Ikramullah Khan, Raja M. M. | Srinivasa Rao, Mr. P. V. |
| Iswar Saran, Munshi. | Subrahmanayam, Mr. C. S. |
| Jamnadas Dwarkadas, Mr. | Subzposh, Mr. S. M. Z. A. |
| Jatkar, Mr. B. H. R. | Thackersey, Sir Vithaldas D. |
| Jejeebhoy, Sir Jamsetjee. | Webb, Sir M. dePomeroy. |
| Joshi, Mr. N. M. | |

NOES—32.

| | |
|---|---|
| Aiyar, Mr. A. V. V. | Keith, Mr. W. J. |
| Bradley-Birt, Mr. F. B. | Lindsay, Mr. Darcy. |
| Bray, Mr. Denys. | Misra, Mr. B. N. |
| Bryant, Mr. J. F. | Mitter, Mr. K. N. |
| Chatterjee, Mr. A. C. | Muhammad Hussain, Mr. T. |
| Clarke, Mr. G. R. | Percival, Mr. P. E. |
| Crookshank, Sir Sydney. | Rao, Mr. C. Krishnaswami. |
| Dentith, Mr. A. W. | Renouf, Mr. W. C. |
| Faridoonji, Mr. R. | Rhodes, Mr. C. W. |
| Fell, Sir Godfrey. | Sapru, the Honourable Dr. T. B. |
| Gajjan Singh, Sardar Bahadur. | Sarvadhikary, Sir Deva Prasad. |
| Habibullah, Mr. Muhammad. | Shahab-ud-Din, Chaudhri. |
| Hailey, the Honourable Sir Malcolm. | Sharp, Mr. H. |
| Hullah, Mr. J. | Vincent, the Honourable Sir William. |
| Innes, the Honourable Mr. C. A. | Waghorn, Colonel W. D. |
| Kabraji, Mr. J. K. N. | Way, Mr. T. A. H. |

The motion was adopted.

**Mr. President:** The question is :

'That a reduced sum not exceeding Rs. 1,87,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Hyderabad'.'

The motion was adopted.

BANGALORE.

**Mr. President:** The question is :

'That a sum not exceeding Rs. 13,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Bangalore'.'

**Rai Sahib Lakshmi Narayan Lal** (Bihar and Orissa: Nominated Non-Official): Sir, I beg to move :

General reduction. 'That the demand under head 'Bangalore' be reduced by Rs. 3,00,000.'

Honourable Members will find on page 263 that the Revised Budget Estimate for the province in 1921-22 was Rs. 8,85,000 only on account of the voted items, but it has gone up to Rs. 13,79,000 for the ensuing year. The increase is therefore of Rs. 4,94,000 for voted items alone. Again, there is an increase of Rs. 11,000 on account of the non-voted items which we cannot touch, but which is an increase all the same.

The total increase is therefore of Rs. 5,05,000. Such a big increase is entirely un-called for, in the face of the existing financial crisis. The present financial circumstances warrant that we should spend much less than what we spent before. Extravagance is always an evil, but in poverty it means ruin.

It can be said that there is no extravagance, but this depends upon the standard with which the matter is judged. The whole difficulty lies in the fact that poor India is being governed with the standard of a rich country. It appears as if the Government, notwithstanding the advantage of having some worthy Indian Members, have not as yet realized how poor India really is, and how highly it is already taxed. (*Voices*: 'Hear, hear.' 'Vote, vote.' 'It is nearing 5 o'clock'.)

Sir, no less an authority than the Right Honourable Mr. Montagu, the late Secretary of State for India, whose resignation we are all deeply deploring, and who, as the author of the Reforms Scheme, deserves our greatest gratitude, was pleased to observe very recently in the House of Commons, that :

'The greatest cause of trouble in India was the economic situation of the country. India was highly taxed, prices were very high and the population was very poor. Their only cure was the development of the industrial and agricultural resources of India in order that the people might become richer'.

But such a heavy increase of expenditure leading to crushing taxation, crushing the poor people as well as the poor industry, will, instead of making the people richer, make them poorer and poorer every day and ultimately lead them to utter disaster.

The motion was negatived.

**Rao Bahadur T. Rangachariar :** Sir, as I want that the money should not lapse to the Mysore Government and should come to the Central Government, I beg to withdraw the motion which stands in my name as follows :

'That the demand under head 'Bangalore' be reduced by Rs. 71,500.'

**Mr. President :** The question is :

'That a sum not exceeding Rs. 13,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Bangalore'.'

The motion was adopted.

## EXPENDITURE IN ENGLAND UNDER THE CONTROL OF THE SECRETARY OF STATE FOR INDIA.

**Mr. President :** The question is :

'That a sum not exceeding Rs. 33,26,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Expenditure in England under the control of the Secretary of State for India'.'

**Mr. K. G. Bagde** (Bombay Central Division : Non-Muhammadan Rural) : Sir, I beg to move :

'That the demand under the head 'Expenditure in England under the control of the Secretary of State for India' be reduced by Rs. 4,97,000'.

General reduction.

I move this motion which is a very modest one and is based on the reasonable policy adopted by the Democratic Party of the usual reduction of 5 per cent. I hope the House will accept it.

**The Honourable Sir Malcolm Hailey :** Sir, this 'reasonable and modest demand for reduction' amounts to Rs. 4,97,000. Now, let us see what the items are from which this is to be deducted. The total demand in the Budget Estimate is Rs. 99,40,000. I am going to analyse this demand to the House to show how 'reasonable and modest' is the demand for reduction. Out of this sum of Rs. 99,40,000 we have got to deduct Rs. 53,23,000 for pensions. I take it that this is not the desire of the House, nor indeed it is even within its power, to reduce the amount of pensions.

*Honourable Members :* We do not want to reduce this amount.

**The Honourable Sir Malcolm Hailey :** I am glad to obtain the willing assent of the House on that point. Then the residue is Rs. 46,17,000. Now we have to deduct out of this another item of Rs. 9,37,000 for the management of debt. I do not think, Sir, we should be able to raise our large sterling loans in England unless we secure adequate management of the loan service.

**Rao Bahadur T. Rangachariar:** Don't employ costly agencies.

**The Honourable Sir Malcolm Hailey:** May I take it that my friends here are of opinion that this amount can be reduced?

(*Cries of* 'It can be reduced.') Then, Sir, I am afraid the Honourable Members placed upon me the necessity of going into the matter at much greater length. (Continued Laughter.) I do assure the Honourable Members that the subject of our sterling loan is not a matter of hilarity at all! But I see that you are willing to grant me this point. Then after deducting this amount, the remainder is Rs. 36,80,000. I have to deduct out of this amount another item—an item equally necessary I think for the welfare of India—I mean the examination expenses of candidates for the Indian Civil Service, Rs. 4,39,000 votable and Rs. 1,19,000 non-votable, altogether Rs. 5,58,000. That work is undertaken for us by the Civil Service Commissioners at Home, and I do not think any request by this Chamber would weigh with them in order to reduce their scale of charges. As long as you have that examination in England, you will have to pay that sum. I need not add that, of course, we are now having our own parallel examination in India. Are we then to pass this amount also as not being susceptible of reduction? From the attitude of Members opposite, I take it that that item is also passed.

We therefore have left Rs. 31,22,000. Now, I come to another item in which many of my friends here are interested. Mr. Seshagiri Ayyar takes a great interest in it and Dr. Sapru is one expert on it. I refer to the expenditure we incur on account of our partnership in the League of Nations. Some question arose the other day as to whether we would or would not honour a bill presented to us by the majority of the League of Nations as our share of its expenditure. I think at the time we convinced the House that we could not dishonour that bill without dissociating ourselves from the League of Nations. I can imagine, Sir, the effect on the League of Nations, at large and the disastrous effect on the nerves of the Secretary General of the League in particular, if he were to receive a letter from the Honourable Dr Sapru saying that the Legislative Assembly desires to make a 5 per cent. cut in their bill. (Laughter.) No doubt we could offer to pay cash for delivery, but even so, we could hardly claim a full receipt for a reduction of 5 per cent. (Laughter.) May I take it then that that sum is not capable of reduction? ('Yes.')

I have left, therefore, a sum of some 24 lakhs. And now, following the example of my friends yesterday evening, I proceed to analyse the remainder of the items. (Laughter.) Sir, do I see that my friend is holding up his hand in token of surrender? (Laughter.) Does he indeed cry 'Kamarad'?

**Rao Bahadur T. Rangachariar:** In view of the time before us, will the Honourable Member take off one lakh?

**The Honourable Sir Malcolm Hailey:** No, Sir. I am sorry to say that I cannot abate one anna of the demand. My cause is just!

**Dr. H. S. Gour:** Well, Sir, you have got Rs. 38,000 for Sundries, absolutely unaccounted for.

**The Honourable Sir Malcolm Hailey:** I wish to know, Sir, if I hold the House, or does my Honourable friend, Dr. Gour? I am quite willing to give way to him while he makes his point of order. (Laughter.) I thought myself that I was just getting into most excellent order. (Laughter.) Now, Sir, does the House still desire that this reduction should be made? (Cries of 'Withdraw, withdraw.')

**Rao Bahadur T. Rangachariar:** I cannot withdraw, Sir. My friend, Mr. Bagde, is in charge.

**The Honourable Sir Malcolm Hailey:** Sir, I had hoped my friend was about to withdraw. I have now left a sum of about 24 lakhs. Now, out of sheer mercy for the nerves of the Assembly, I will not carry out my original threat of analysing each of these small items, most of them amounting to only a few thousands, such as 'Sundry items, Customs,' 'Sundry items, Salt', etc. I will merely turn from the Party which has sought to wield the axe, to that Party which we are now learning to associate with the finer art of the scalpel or the lancet. (Laughter.) I would point out that the reduction which it is sought to make is over 20 per cent. of the remaining items. I have proved to you that the major items are not capable of reduction; indeed the House itself has now admitted that they are not capable of reduction. Now, Sir, if the Members will run an eye through these minor items and spare me the trouble of reading them out, if they will realise that each of those small items is not only capable of justification by my Honourable Colleagues here but will infallibly be justified at length by each of my Honourable Colleagues separately, I think they will be wise to agree at once, and in their own interests that a further reduction is impossible. (Laughter.)

**Mr. N. M. Samarth:** Sir, may I put it to the Honourable the Finance Member that 'Office Contingencies' has increased from Rs. 4,00,000 to Rs. 4,94,000, and surely there is some justification for asking for a decrease of Rs. 94,000 in that item.

**Dr. H. S. Gour:** To which may I add, Sir, that Rs. 38,000 is for Sundries, etc., and the Finance Member may at least reduce the Demand by this Rs. 38,000.

**Mr. President:** The question is:

'That the demand under the head 'Expenditure in England under the control of the Secretary of State for India' be reduced by Rs. 4,97,000.'

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 33,26,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Expenditure in England under the control of the Secretary of State for India'.'

The motion was adopted.

EXPENDITURE IN ENGLAND UNDER THE CONTROL OF THE HIGH COMMISSIONER FOR INDIA.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 64,06,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Expenditure in England under the control of the High Commissioner for India'.'

**Mr. J. N. Mukherjee:** Sir, I beg to move:

Currency, Stores for India. 'That the sum of Rs. 32,00,000 under sub-head 'Currency Stores for India' be omitted and debited against profits.'

What has been proposed in the Budget is that the whole expenditure in connection with Currency notes circulation has been debited in the Revenue Account. According to the law on the subject, the profits, under the conditions laid down, arising from note circulation, should be applied to the reduction of the created securities. The Budget, therefore, should have applied the working expenses of the Currency Department towards reducing the gross profits. By adopting this process the Government would have been in a position to apply the net profits only to the reduction of the created securities. My submission to the House is that the net profits should be taken into account by omitting the expenditure under the sub-head 'Currency, Stores for India', and similar items of expenditure to be found elsewhere. Such treatment is important, as it will go to reduce the deficit shewn.

**Sir Deva Prasad Sarvadhikary:** I owe amends to the Honourable Sir Malcolm Hailey. What is proposed cannot be unfortunately done under the law till amended as I conceived yesterday.

**The Honourable Sir Malcolm Hailey:** I am very much obliged to my Honourable friend, Sir Deva Prasad Sarvadhikary. I think he had yesterday some doubt whether we were or were not obliged under the Act to place the whole of the interest derived from our paper currency securities to the reduction of the securities created for our own purposes. I hope that the House after hearing what Sir Deva Prasad Sarvadhikary has said, will have less doubt on a matter on which they have more than once expressed a friendly suspicion, namely, my capacity correctly to interpret the law! I think this, Sir, sufficiently meets the point that was made by my friend, Mr. Mukherjee; but I am afraid that I did not catch the whole of his argument; he made it, however, in

**Mr. President:** The question is:

'That the demand under head 'Expenditure in England under the control of the High Commissioner for India' be reduced by Rs. 32,00,000 in respect of the sub-head 'Currency Stores for India'.

The motion was negatived.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 64,06,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Expenditure in England under the control of the High Commissioner for India'.'

The motion was adopted.

**Rao Bahadur T. Rangachariar:** On a point of order, Sir, I wish to understand the rule about this guillotine. I see that you are authorised, Sir, to put the motions on the last day allotted at 5 P.M.:

'The President shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.'

There is a question in my name which I wish to be put.

**Mr. President:** The question has never been moved. I put the questions that are before the House. The questions before the House are the main question, namely, the demand for the grant itself and any motion for reduction under discussion at the moment that the clock struck 5. No other motions for reduction can come in.

**Rao Bahadur T. Rangachariar:** No other grants can come in too.

**Mr. President:** Oh, yes.

**Rao Bahadur T. Rangachariar:** There is no motion for the succeeding grants; they cannot come either under that rule.

**Mr. President:** Rule 47 refers to all outstanding matters in connection with the demands for grants.

**Rao Bahadur T. Rangachariar:** I bow to your decision. We were punctual to bring to a close; we have no more motions.

*Expenditure charged to Capital.*

RAILWAYS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 29,97,53,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Railways'.'

The motion was adopted.

IRRIGATION WORKS—NOT CHARGED TO REVENUE

**Mr. President:** The question is:

'That a sum not exceeding Rs. 2,69,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March 1923, in respect of 'Irrigation Works—not charged to Revenue'.'

The motion was adopted.

CAPITAL OUTLAY ON TELEGRAPHS.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 1,45,00,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Capital Outlay on Telegraphs'.'

The motion was adopted.

DELHI CAPITAL OUTLAY.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 1,96,65,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Delhi Capital Outlay'.'

The motion was adopted.

*Disbursements of Loans and Advances.*

INTEREST-FREE ADVANCES.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 12,06,37,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Interest-free Advances'.'

The motion was adopted.

LOANS AND ADVANCES BEARING INTEREST.

**Mr. President:** The question is:

'That a sum not exceeding Rs. 6,73,59,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Loans and Advances bearing interest'.'

The motion was adopted.

# Schedule of demands for grants for expenditure of the Central Government as voted by the Legislative Assembly.

(*For schedule of demands as submitted for the vote* see *page* 212.)

| Number of demand. | Service, Administration or Area to which demand relates. | Head of Account. | Amount. | Reference to page of detailed statements. |
|---|---|---|---|---|
| | **A.—Expenditure from Revenue.** | | Rs. | |
| 1 | Customs | Customs | 60,49,000 | 1—7 |
| 2 | Taxes on Income | Taxes on Income | 42,56,000 | 8—14 |
| 3 | Salt | Salt | 1,32,90,000 | 15—19 |
| 4 | Opium | Opium | 1,84,32,000 | 20—22 |
| 5 | Land Revenue | Land Revenue | 1,48,000 | 23 |
| 6 | Stamps | Stamps | 11,28,000 | 24 |
| 7 | Forests | Forests | 7,41,000 | 25—26 |
| 8 | Railways (inclusive of Working Expenses and payment of Surplus Profits to Railway Companies). | State Railways, Subsidised Companies, Miscellaneous Railway Expenditure. | 73,67,79,000 | 27 |
| 9 | Irrigation (including Working Expenses), Navigation, Embankment and Drainage Works. | Works for which capital accounts are kept, Miscellaneous Irrigation Expenditure, Construction of Irrigation, etc., Works. | 14,32,000 | 28 |
| 10 | Indian Postal and Telegraph Department (including Working expenses). | Posts and Telegraphs | 9,36,63,000 | 29—30 |
| 11 | Indo-European Telegraph Department (including Working Expenses). | | 16,40,000 | |
| 12 | Interest on Miscellaneous Obligations | Interest on other Obligations | 3,23,63,000 | 31 |
| 13 | General Administration | General Administration | 71,33,000 | 32—45 |
| 14 | Audit | Audit | 72,19,000 | 46—53 |
| 15 | Police | Police | 7,000 | 54 |
| 16 | Ports and Pilotage | Ports and Pilotage | 11,27,000 | 55—59 |
| 17 | Survey of India | Scientific Departments | 25,24,000 | 60—66 |
| 18 | Meteorology | ,, ,, | 5,83,000 | 67—69 |
| 19 | Geological Survey | ,, ,, | 2,20,000 | 70 |
| 20 | Botanical Survey | ,, ,, | 26,86,000 | 71 |
| 21 | Zoological Survey | ,, ,, | 1,41,000 | 72 |
| 22 | Archæology | ,, ,, | 14,72,000 | 73—74 |
| 23 | Mines | ,, ,, | 98,000 | 75 |
| 24 | Other Scientific Departments | ,, ,, | 3,57,000 | 76—77 |
| 25 | Education | Education | 3,01,000 | 78 |
| 26 | Medical Services | Medical | 7,79,000 | 79—81 |
| 27 | Public Health | Public Health | 9,59,000 | 82—83 |
| 28 | Agriculture | Agriculture | 7,73,000 | 84—89 |
| 29 | Civil Veterinary Services | ,, | 6,38,000 | 90—91 |
| 30 | Industries | Industries | 74,000 | 92—93 |
| 31 | Aviation | Aviation | 34,000 | 94 |
| 32 | Commercial Intelligence | Miscellaneous Departments | 3,34,000 | 95—96 |
| 33 | Census | ,, ,, | 3,47,000 | 97 |
| 34A. | Emigration—Internal | ,, ,, | 1,12,000 | 98—99 |
| 34B. | ,, External | ,, ,, | 22,000 | 100 |
| 35 | Joint-Stock Companies | ,, ,, | 1,11,000 | 101—102 |
| 36 | Miscellaneous Departments | ,, ,, | 8,75,000 | 103—107 |
| 37 | Currency | Currency | 28,86,000 | 108—113 |
| 38 | Mint | Mint | 19,64,000 | 114—115 |
| 39 | Exchange | Exchange | 9,95,50,000 | 116 |
| 40 | Civil Works (under the control of the Public Works Department). | Civil Works | 1,52,88,000 | 117—132 |
| 41 | Civil Works—Civil | | 41,000 | 133 |
| 42 | Superannuation Allowances and Pensions | Superannuation Allowances and Pensions | 20,73,000 | 134 |
| 43 | Stationery and Printing | Stationery and Printing | 63,54,000 | 135—144 |
| 44 | Miscellaneous | Miscellaneous | 11,56,000 | 145—148 |
| 45 | Adjustments with Provincial Governments | Miscellaneous Adjustments between Central and Provincial Governments. | 63,29,000 | 149 |
| 46 | North-West Frontier | Distributed over respective heads of account | 1,03,49,000 | 150—173 |
| 47 | Baluchistan | | 26,81,000 | 174—190 |
| 48 | Delhi | | 29,41,000 | 191—205 |
| 49 | Coorg | | 12,02,000 | 206—219 |
| 50 | Ajmer and Merwara | | 14,11,000 | 220—233 |
| 51 | Andamans and Nicobar Islands | | 47,14,000 | 234—239 |
| 52 | Rajputana | | 4,37,000 | 240—246 |
| 53 | Central India | | 5,04,000 | 247—256 |
| 54 | Hyderabad | | 1,87,000 | 257—262 |
| 55 | Bangalore | | 13,79,000 | 263—273 |
| 56 | Expenditure in England—Secretary of State for India. | | 33,26,000 | 274—275 |
| 57 | Expenditure in England—High Commissioner for India. | | 64,06,000 | 276—278 |
| Non-Voted | Interest on Debt and Sinking Funds | Interest on Debt and Sinking Funds | | 279—280 |
| Non-Voted | Ecclesiastical | Ecclesiastical | | 281—282 |
| Non-Voted | Political | Political | | 283—284 |
| Non-Voted | Territorial and Political Pensions | Territorial and Political Pensions | | 285 |
| | TOTAL | | (a)1,10,99,45,000 | |
| | **B.—Expenditure charged to Capital.** | | | |
| 58 | Railways | Construction of State Railways | 29,97,53,000 | 286 |
| 59 | Irrigation | Construction of Irrigation Works | 2,69,000 | 287 |
| 60 | Telegraphs | Capital outlay on Telegraphs | 1,45,00,000 | 288 |
| 61 | New Capital at Delhi | Initial Expenditure on New Capital at Delhi | 1,96,65,000 | 289—291 |
| | TOTAL | | 33,41,87,000 | |
| | **C.—Disbursements of Loans and Advances.** | | | |
| 62 | Interest free advances | | 12,06,37,000 | 292 |
| 63 | Loans and advances bearing interest | | 6,73,59,000 | |
| | TOTAL | | 18,79,96,000 | |
| | GRAND TOTAL | | 1,63,21,28,000 | |

(*a*) This is made up of Rs. 33,33,96,000 shown as voted expenditure in Statement B of the Budget and Rs. 77,65,49,000 as in footnotes (*b*), (*c*), (*e*) (*g*) in Statement A.

## RESOLUTION *RE* RE-APPROPRIATION BETWEEN DEMANDS IN THE MATTER OF REDUCTION.

**Sir Vithaldas D. Thackersey** (Bombay Mill-owners Association : Indian Commerce) : Sir, I beg to move :

'That the Governor General in Council be empowered to re-appropriate from one Demand to another between Demands Nos. 1 to 57 inclusive provided that this be done in such a manner that the aggregate reduction made by the Assembly be given effect to.'

**Dr. H. S. Gour** (Nagpur Division : Non-Muhammadan) : But not less than the amount.

**Sir Vithaldas D. Thackersey :** No, no. That is all right. I have considered my own motion.

Sir, as I explained when I moved the first grant, we have not the slightest desire that any of the Departments should be worked except on the most efficient lines. (Hear, hear.) I am now bringing forward this motion in order that we may leave to Government the adjustment of the reduction in the different heads as they think best. These reductions amount to about Rs. 90,00,000, that is, 10 lakhs less than the crore which the House in the beginning thought reasonable. I am not sorry that the reduction is only 90 lakhs, because I think the House will be perfectly satisfied even if we get an actual reduction of 90 lakhs in our expenditure. Moreover, the votes for the reduction of 90 lakhs were passed after due consideration and with the help of our friends who voted with us after hearing the Government Members as to the reasonableness of our proposals (Hear, hear), and I can assure Government that the House is united in demanding this reduction of 90 lakhs.

Before I conclude, Sir, I have one remark to make, and that is that we have absolute confidence in the Government of India that they will do their best in this matter. (Hear, hear.) So far as the Finance Department is concerned, I am sure I echo the feeling of every Member here that, far from finding any fault with the Finance Department, I think the country owes a deep debt of gratitude to the Finance Department which is presided over so ably by such a distinguished Member of the Government as the Honourable Sir Malcolm Hailey. (Loud Applause.) I should not here omit to mention the name of his able lieutenant, I mean the Honourable Mr. Cook, to whose help also we owe a great deal. We cannot by any means underrate the difficulties of Government during the last two or three years.

The difficulty of devising of Ways and Means on the scale required in our case can only be appreciated by those who have any experience of managing large finances, and I can say with the little knowledge that I have that any other two men with less courage, with less ability and with less grasp of financial problems would have thrown out the attempt in despair. I say, therefore, on behalf of the Members that we have every confidence in the Honourable Finance Member and the Honourable Mr. Cook to carry our ship safe into the harbour and they deserve full support from us.

**The Honourable Sir Malcolm Hailey** (Finance Member) : I cannot speak to the motion until I have thanked Sir Vithaldas Thackersey, and thanked him with all sincerity in the name of myself and of my Department for the generous compliment he has paid us. If I had to take the opinion of any one Member of this House on the work of the Department, I should rank highest of all that of Sir Vithaldas Thackersey, who has known Indian conditions of finance so intimately, has for so many years been a Member of our Councils, and taken so prominent a part in our financial controversies. I need not add to what I have said; I can only repeat my gratitude to him, and to assure him that all ranks of my Department will find in what he has said a recompense for the hard times and many anxieties which they have had to undergo. (Hear, hear.)

Now, Sir, that was a grateful task. When I come to deal with the Resolution which Sir Vithaldas Thackersey has put forward, my task is less easy, for, I fear, that it is somehow or other not within the law. I do not desire to dogmatise to this House on legal points. For some reason or other, which I have never been able to appreciate, the House seems to harbour some distrust of what I say in regard to the construction of the law. This has been always a matter of great astonishment to me, for to nobody's opinion in regard to the law do I attach more value than my own. But seriously, Sir, I now merely wish to indicate to the House my doubts as to the possibility of their passing a motion of this kind which proposes to confer on the Government by Resolution certain powers which it does

not possess by law. There are other and abler hands who will no doubt take up and discourse on this theme. I merely touch the opening strings. (*Honourable Members* : 'No, no.') Sir, the matter must be discussed and decided now; and for my part I merely wish to suggest that it is not possible under section 67-A of the Act for the House to pass a motion of this nature.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): Sir, I support my friend, Sir Vithaldas Thackersey, in substance, so far as the Resolution goes. I for one have taken up the position, on behalf of myself and of my Party under the guidance of my Leader, that it is not fair nor right that we should apply the axe or the super-axe irrespective of the merits or demerits of a Department, and that, if the figures show that a reduction was possible, by all means vote for a reduction. The Resolution which Sir Vithaldas Thackersey has brought has got behind it a sub-consciousness in favour of the view which I have held and which my Party has held. Otherwise no such Resolution would have been brought. (Hear, hear.) They are conscious that on behalf of their Party they have done something objectionable, by having a five per cent. reduction all through, irrespective of the merits of the Department whose demand was sought to be reduced. I, therefore, join hands with him in this matter and am glad to put my shoulder to the wheel. So far as the Government of India Act is concerned, I think under the Act this House has no power to appropriate from one head to another. The Act is clear on the point. It says:

'No proposal for appropriation of any revenue or moneys for any purpose shall be made except on the recommendation of the Governor General.'

And then it proceeds to say:

'The proposals of the Governor General in Council for the appropriation of revenue or moneys relating to heads of expenditure not specified in the above heads shall be submitted to the vote of the Legislative Assembly in the form of Demands for Grants.'

And then we have the power either to assent or refuse our assent to or reduce any of the Demands, but the next sub-section goes on to say that:

'The demands as voted by the Legislative Assembly shall be submitted to the Governor General in Council who shall, if he declares that he is satisfied that any Demand which has been refused by the Legislative Assembly is essential to the discharge of his responsibilities, act as if it had been assented to, notwithstanding the withholding of such assent or the reduction of the amount therein referred to, by the Legislative Assembly.'

After all, to my mind, nothing very serious has been done, but, if there is any department in which the axe has been wrongly applied by the joint efforts of the Democratic and the National Parties, which involves the department in any grave difficulty, then it is quite open to the Governor General, if he must, to that extent to rectify the error which may have been committed by the vote of this Assembly. On the whole, all that we say is that the Honourable the Finance Member, for whose efforts, energies, skill and industry, this House and every one in this House will pay a tribute for the axe and the super-axe that he has applied behind the scenes, will find that this Assembly has only added to his efforts and accelerated his work, so far as the finances of the country are concerned and I trust that having regard to the view which has been brought forward by Sir Vithaldas Thackersey, the substance of the Resolution may, if necessary, be given effect to.

**The Honourable Dr. T. B. Sapru** (Law Member): In view of the reference to section 67-A of the Government of India Act by my friend, Mr. Samarth, I think it is necessary that I must intervene at this stage so as to explain from my point of view the constitutional point which arises under this Resolution. I will beg the House to remember the terms of this Resolution. First, it says that the Governor General in Council be empowered to reappropriate from one Demand to another between Demands No. 1 to No. 57 inclusive and then it says: 'Provided that this be done in such a manner that the aggregate reduction made by the Assembly be given effect to.' The very first thing to which I will invite the attention of the House is the form of the Resolution itself. The Governor General does not want under the law any power to be conferred on him by a Resolution of this Assembly, and yet, having regard to the form of the Resolution, I hope the House will not grudge this jealousy for the power of the Governor General which arises under the Statute. Now the second thing that I will invite the attention of the Assembly to is the proviso. In the first part of the Resolution, Sir Vithaldas Thackersey seeks to confer certain power upon the Governor General in Council. I think he has no right to invite the Assembly to confer such powers. In the last portion of the Resolution he seeks to impose a certain limitation upon the liberty of action of the Governor General. Now, whatever may be said with regard to the underlying idea of the Resolution,

I must take exception to the form of the Resolution on constitutional grounds and I think my friend, Mr. Samarth, will agree with me.

**Mr. N. M. Samarth:** I said I supported the Resolution in substance.

**The Honourable Dr. T. B. Sapru:** Now I come to the substance of it on which my friend, Mr. Samarth, may not so readily agree with me. Now, section 67-A is the section which really has a bearing upon this question. Under sub-clause (5) of that section, the proposals of the Governor General in Council for the appropriation of revenue or moneys have got to be submitted to the vote of the Assembly in the form of demands for grants. Now this has been done.

The Legislative Assembly may do one of two things; either it may assent, or it may refuse to give its assent. This also has been done in relation to the various demands. Then arises the third stage in the succeeding sub-clause (7 :

'he demands as voted by the Legislative Assembly shall be submitted to the Governor General in Council, who shall, if he declares that he is satisfied that any demand which has been refused by the Legislative Assembly is essential to the discharge of his responsibilities, act as if it had been assented to, notwithstanding the withholding of such assent or the reduction of the amount therein referred to, by the Legislative Assembly.'

It will appear from this sub-clause that what it contemplates is individual Demands. The Governor General may say that he assents or that he withholds his assent, to a particular Demand as voted by the Legislative Assembly. But if we are to accept the Resolution of Sir Vithaldas Thackersey, we shall be adding something to the words of the Statute for which there is no warrant. The Governor General in Council may say : 'I accept the vote of the Assembly with regard to item No. 1'; he may say: 'I do not accept the vote of the Assembly with regard to item No. 2'; but you have got no right to say to him : 'Whatever may be the nature of our vote, you have got to calculate the whole amount and then to transfer certain moneys from one item to another.' That is for the Governor General in Council to do. He may do it, or he may not do it. If he finds it convenient to follow Sir Vithaldas Thackersey's Resolution, he will do it; if he does not find it convenient, he will not do it. But I do say, and maintain, that it is not for the Assembly to impose any such limitation on his constitutional freedom; and it is in that view that I would ask the Assembly not to accept this Resolution.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir, with reference to the question of constitutional law which has been raised, I should like to offer a few observations for the consideration of the Members of the Government. The portion of section 67-A which is relevant to the question now raised is sub-section 7 of section 67-A. The Honourable Dr. Sapru is perfectly right, if I may venture to express my concurrence with him, in stating that the Governor General in Council has to express his opinion with reference to particular demands, and not with reference to the Budget as a whole. The words are that the Governor General in Council shall :

'If he declares that he is satisfied that any demand which has been refused by the Legislative Assembly is essential to the discharge of his responsibilities, act as if it had been assented to, notwithstanding the withholding of such assent or the reduction of the amount therein referred to, by the Legislative Assembly'.

The question now for consideration is, what are the courses open to the Governor General in Council upon the decision of the Legislative Assembly with reference to these various Demands for Grants. Is he bound to declare now that he is, or is not, satisfied with regard to the grants which have been passed in respect of each Demand? If the Honourable Dr. Sapru thinks that he is bound to make a declaration now, at this moment, then I respectfully venture to differ from him.

**The Honourable Dr. T. B. Sapru:** Sir, I rise to a point of order. I did not make any such statement.

**Sir P. S. Sivaswamy Aiyer:** I said 'if'. What I beg to say is that another position can be taken up. The Governor General in Council is not bound to declare, if the demand has not been fully assented to, that he is satisfied that the demand is essential and it has been improperly refused. It is quite open to him, and it would be a legitimate course to adopt, to say that he cannot say whether he is satisfied and that he will wait and see It is quite open to the Governor General in Council to say : 'At this moment we are not prepared to say whether the Assembly has given enough or not, whether the means they have voted are or are not sufficient for the discharge of our responsibilities. We shall take due note of the desire of the Assembly for retrenchment. A Retrenchment Committee has been appointed and is

going to consider the matters in question. We shall await the report of that Committee, and if afterwards it is found necessary to ask for more, then we shall do so.' The Governor General in Council can legitimately adopt that course. I concede that the provision of this sub-section which empowers the Governor General to act as if the demand has been assented to can only be exercised now. It cannot be exercised later on. But the proper course for the Governor General in Council is to come before us for a supplementary grant. There is nothing in law, so far as I am aware, to prevent the Governor General in Council from coming before us for a supplementary grant. Nor is there anything to prevent us from making a grant in respect of such supplementary demand. That, I submit, would be the most proper and the fairest course to take, with due regard to the decisions of the Assembly and out of consideration to the Assembly. I trust that the Governor General in Council will pay sufficient deference to the wishes of the Legislative Assembly, to induce him to hold his hand and suspend his judgment. In the interests of the evolution of the Constitution and the evolution of constitutional conventions I hope and trust that this course will commend itself to the Governor General in Council.

**Sir Montagu Webb** (Bombay: European): Sir, though I cannot lay claim to that legal knowledge which many of the Members of this House possess, and though I have not perhaps that great respect for the legal profession which the Honourable Member for Finance is so well known to hold, nevertheless I venture to appeal to the Finance Member to give effect to the intention of the Resolution which Sir Vithaldas Thackersey has put before this House. I have myself voted against many of the Resolutions for retrenchment which have been carried. At the same time I would ask the Finance Member and the Government of India to recognise that those motions have been put forward honestly and with knowledge, in the hope of bringing pressure upon Government to exercise still further retrenchment.

With that idea I am entirely in sympathy. I feel that our expenditure has reached a level that is now dangerous, and I therefore appeal strongly to the Finance Member and to the Government of India to find a way to give effect to the sense of the Resolution which Sir Vithaldas has put forward, whether the motion be legal or illegal. (Applause.)

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): Sir, while recognising the legal difficulties in the way of this Resolution, I wish to emphasise one aspect of the question for the consideration of the Assembly. This motion should not be deemed to imply that there is any doubt in our minds that the 5 per cent. reduction we have made in each grant is not capable of being effected under each grant. (Hear, hear.) I wish to say this with all the emphasis that I can command on behalf of my Party, so that it might not be understood that we know that there is any Demand in which we have made a reduction which cannot be made.

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-Official): Sir, I wish to say a word upon the constitutional question. (*Voices*: 'No', 'no'.) It seems to me that upon one matter there can be no doubt and if I may say with respect, there is no doubt that the Law Member is quite correct. That is as regards clause 7. But I think the Honourable the Law Member ignores to some extent the 8th clause of the same section. The 8th clause is what is called the emergency clause, and it relates to the power which the Governor General has in cases of emergency to authorise such expenditure as may in his opinion be necessary for the safety or tranquillity of British India or any part thereof. Now, the point I wish to put forward is this. The position taken up by Sir Vithaldas Thackersey is in no way *ultra vires* the powers of this Assembly. We have got the power of recommending to the Governor General certain modes of disposing money and this is the recommendation we make, *viz.*, that in coming to a conclusion that a particular demand ought to be met notwithstanding that the House has resolved that it should be cut down, we make the recommendation to appropriate from one item to another thereby fulfilling the functions which the law has empowered the Governor General to exercise, *viz.*, the power given under clause 8 of section 67.

**The Honourable Dr. T. B. Sapru:** May I rise to a point of order, Sir? I hope it will cut short the debate. My Honourable friend who has put forward this view obviously overlooks the distinction between the Governor General and the Governor General in Council. Clause 8 deals with the Governor General and clause 7 with which I was dealing, deals with the Governor General in Council.

**Mr. T. V. Seshagiri Ayyar:** I stand corrected.

**Dr. H. S. Gour:** Sir, may I just point out that my friend, Mr. Seshagiri Ayyar, was dealing with the question of the emergency powers of the Governor General which have nothing whatever to do with the subject matter under consideration. As regards Dr. Sapru, if I may be permitted to say so, he is perfectly right in saying that under clause 7 as soon as the Budget is passed, it is open to the Governor General in Council to examine the allotments made and if the Governor General in Council is of opinion that he cannot discharge his duties within the sums allotted to him by the Legislative Assembly, then certain restorations as laid down in clause 7 may take place. Now the real point involved in Sir Vithaldas Thackersey's Resolution is this. He empowers the Governor General in Council to make re-appropriations and I submit with due respect to my learned friend, – he is not a learned friend— with due respect to my Honourable friend, whether the Governor General's powers cannot be enlarged or curtailed by this Legislative Assembly, which is itself a creature of the law. Whatever power the Governor General in Council or the Governor General possesses are all statutory powers and consequently I venture to submit that my friend's Resolution is mis-conceived, and I would therefore request him not to press his Resolution.

**Sir Vithaldas D. Thackersey:** I have no desire to press this Resolution. My only object was to make the work of the Government of India easy. We are passing through very extraordinary times, and we want to give a clear indication of our wish, that within the law this Assembly has not the slightest objection to the reappropriation from one head to another. We do not wish that the country should have an excuse to say that here the Assembly passed one Resolution and that His Excellency the Viceroy the next day reversed it with his extraordinary powers.

As my learned friend says it can only be done by those extraordinary powers, it should not be misunderstood that these powers have been used against the wishes of the Legislative Assembly. I wish to make this point very clear, as we do not wish at this stage that the whole position should be misunderstood.

**The Honourable Sir Malcolm Hailey:** I am not sure if I am in order in speaking after Sir Vithaldas Thackersey; but I should like to say that when he asked if I had any objection to his Resolution being brought forward at short notice, I assured him to the contrary, for I felt that, from the discussion that would follow his motion, we should gain an insight into the feeling of the House as regards the proceedings of the last five days, and their attitude to the remaining stages of the Budget. We anticipated also that we should learn their feelings regarding the exercise of the statutory powers of the Governor General in regard to the restoration of items cut out, and thought it well that we should on our side have an opportunity of putting the position of Government in the matter. The House, I assume, realizes that the motion cannot stand on legal ground. It is clear that having only just to-day concluded our debate on the demands for grants, it is yet too early for me to announce to the House the decision of the Governor General in Council as to the action that is to be taken in regard to the reductions. I can only say that we shall take into full consideration the feelings which have been expressed by the House this evening. But in doing so, I must make one point clear. We must retain our own statutory powers, and, if necessary, exercise them, because we have statutory responsibilities. We cannot be expected to admit that each and every one of these reductions is possible without injury to the administration. On the other hand, we can and do admit that in some cases reductions can be carried out, and to the extent that they can be carried out without danger of loss of revenue or inefficiency of administration we are prepared to give effect to them.

The Resolution was, by leave of the Assembly, withdrawn.

The Assembly then adjourned till Eleven of the Clock on Monday, the 20th March, 1922.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Monday, 20th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## THE BUDGET—THE INDIAN FINANCE BILL.

FINAL STAGE.

**The Honourable Sir Malcolm Hailey** (Finance Member) : Sir, I beg to move :

'That the Bill to enhance the duty on salt manufactured in, or imported by land into certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, be taken into consideration.'

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir, under the Standing Orders this is the appropriate time for a discussion of the principle of the Finance Bill and its general provisions. I consider it necessary that we should, at this stage, indicate the attitude that the non-official Members of the Assembly propose to take towards the new measures of taxation contained in the Bill and the reasons which compel them to adopt that attitude. These proposals for fresh taxation are mainly the result of the enormous burden of military expenditure which is sought to be imposed upon the country. (Hear, hear.) This expenditure has been the subject of universal criticism. Public opinion has expressed itself in no uncertain tones, and the demand is strong and insistent that the expenditure of the Central Government, both on the civil and on the military side, should undergo a substantial retrenchment. During the discussion on the Demands for Grants in the last week, attempts were made by the Assembly to effect a reduction of the expenditure on the civil side to the extent of about 5 per cent. This, however, will go but a short way and, unless the question of retrenchment of the military expenditure is seriously and immediately taken in hand, there is no prospect of any substantial relief from the burden of taxation. Financial expedients may and will, I am sure, be suggested by those versed in financial operations for the purpose of tiding over the crisis in the present year. Proposals to utilise the interest on the Paper Currency Reserve, to transfer a portion of the revenue expenditure to the capital account and other expedients of a similar character have been and will be suggested and receive the careful consideration of the Government. But expedients of this character can only afford temporary relief. The only method of making both ends meet is for the Government to cut down its expenditure to limits commensurate with the tax-paying capacity of the people. In view of the remarks which fell the other day from His Excellency the Commander-in-Chief and of the technical character of the subject, it may be considered a piece of great temerity for a layman to put forward proposals for a reduction of the military expenditure; but the layman also has his duty to discharge, and I wish to submit some concrete suggestions for the curtailment of military expenditure in the hope that they will receive the consideration of the Government. It is because the non-official Members deem it possible to effect such curtailment that they consider themselves bound not to accede to all the proposals for taxation which are embodied in this Bill. We do not wish to deny that the scheme of reorganisation of the Army which is being carried out by the Government represents a much higher standard of efficiency than what obtained before, and that it is desirable that the Army should attain the greatest possible efficiency. I have always been an advocate of efficiency and the Party to which I belong stands for economy without impairment of efficiency, but there is a limit to the standard of efficiency attainable imposed by the economic conditions of the country. If the normal revenues of India could afford to pay for the attainment of the highest standards of efficiency, it would be worth her while to do so. But we have to take note of the fact that the main heads of Indian revenue are few and inelastic. Having regard to the fact that the amount of military expenditure has been more than doubled within the last few years,

it is our duty to consider how far army expenditure can be cut down without any material loss of efficiency. I will offer my remarks later on with reference to the various heads of military expenditure with regard to which a substantial reduction should be attempted.

Let me preface my remarks by stating that I do not wish to propose any reduction in the numerical strength of the main fighting units, but the Ancillary services, Departments and Staffs stand on a somewhat different footing and are capable of reduction.

Compared with the pre-war figures of the Standing Army, the post-war figures show an increase under the head of Engineers (S. and M.) of 43 British officers, 136 British other ranks and 3,180 Indian ranks over the numbers maintained before the war, or roughly 66, 40 and 60 per cent. increase, respectively. Similarly, the head Army Signal Service shows an increase of 130 British officers, 1,829 British other ranks, 2,920 Indian ranks or 600, 850 and 800 per cent., respectively, of the pre-war strengths. These increases are not explained in the estimates for this year or the next year, nor is it at all clear what necessary purposes the increases provide for. The above increases exclude the additional strength for Aden and Persia, but perhaps they include additional strength for Waziristan. If this is the explanation, some part of the increases must be temporary and the rest should be reduced, but if the increases are not accounted for by the operations in Waziristan, then those under Engineers should be cut down and the strength of the Engineers should be reduced by one-third to the pre-war figure, thereby effecting a saving of 25,84,200. Similarly, if the increase under Army Signal Service is not temporary and due to Waziristan operations, the strength should be reduced to one-fourth, thereby effecting a saving of 69,87,000. The war has doubtless led to great developments in signalling, but the Assembly ought to be satisfied that the huge increases under this head are really essential before providing funds by taxation. While there has been no extensive change under the head Animal Transport from the pre-war figures, a large establishment has been formed for Mechanical Transport Units at a cost of Rs. 1,13,71,000. The number of British other ranks has been raised from 569 in the current year to 743 in the next year. No explanation is given as to how and where the Mechanical Transport is used, and in the absence of such information it may be assumed that in view of the employment of Mechanical Transport, the establishment of Animal Transport may be reduced by half, thereby saving Rs. 1,09,90,000.

Mechanical Transport, unless proved to be wholly of undoubted use to the Army, should be ruthlessly reduced. It would probably be found that excluding the requirements of Waziristan, it might be reduced by half, effecting a saving of Rs. 56,85,000. But these Rs. 1,13,70,000 do not by any means include all the expenditure under Mechanical Transport. There are many other items of expenditure in connection with Mechanical Transport which have to be tracked through the bewildering maze of the Budget in its novel form in different nooks and corners. The full figures of the Mechanical Transport expenditure, excluding Aden, are given under various heads :

| | Rs. |
|---|---|
| Mechanical Transport Units | 11,37,100 |
| Central Mechanical Transport School | 4,28,000 |
| Recurring expenses of Mechanical Transport attached to Arsenals and Ordnance Depôts | 16,090 |
| Central Mechanical Transport Stores Depôt | 4,73,000 |
| Reserve vehicle park | 2,70,000 |
| Mechanical Transport Shipping section | 14,000 |
| Base Mechanical Transport Workshops | 32,53,000 |
| Technical Inspector of Mechanical Transport Stores | 95,000 |
| Deputy Director of Mechanical Transport | 25,000 |
| Assistant Directors, Mechanical Transport | 22,200 |
| Deputy Assistant Director | 15,600 |
| Staff Captain, Mechanical Transport | 12,000 |
| Mechanical Transport Stock account | 12,00,000 |

The whole will give us about Rs. 2,62,46,200.

I will suggest later on the scrapping of several of these items in due course.

The Medical Service shows a great increase in personnel over the pre-war strength, an increase which has taken place in spite of the reduction of the fighting units. Excluding sub-assistant surgeons, there is one doctor for every 312 officers, men and followers in India. Assuming that the daily

average of sick is so high as 10 per cent., there is one doctor, excluding sub-assistant surgeons, to every 31 patients, which seems rather a high proportion. In 1913-14, the Medical Services, excluding Medical Stores, cost Rs. 58,75,000.

The corresponding head in the estimates for 1922-23 appears to be Working Expenses of Hospitals, which amounts to Rs. 318 lakhs odd (excluding expenditure in Aden) or more than five times the pre-war expenditure. There seems to be a case for considerable retrenchment here and if the expenditure were reduced by Rs. 61 lakhs only (which is the amount of the excess over the revised estimates for the current year) it would still be more than 4 times the pre-war figure which is surely sufficient in view of the reduction of the fighting units, it being noted that the cost of Medical Stores is not included herein and that the increase, therefore, is not caused at all by the increase of drugs, etc. In passing I may point out that the cost of patients' diet has increased from 20 lakhs in the current year to 87 lakhs in the estimates. Surely there has not been a rise of prices to 4 times the prices of last year. I am afraid that the provisions include many an article of luxury like champagne for the British Officers, and that this phenomenal increase also indicates the necessity for curtailment, 61 lakhs.

The cost of Educational and other departments of the Army is summarised on page 37 of the Estimates, and details are given in the following pages Under head III-A (*a*) Supervising and Inspecting Staff, provision is made for a Commandant for the Small Arms Schools and for an Inspector of Physical Training, and the latter is an officer on a salary of Rs. 64,200 per annum. The salaries of these officers seem to be unduly high and this head may well admit of a retrenchment of Rs. 50,000.

Staff College, Quetta. The pay and allowances of the Instructional and Administrative Staff which seems to be over Rs. 1,900 per mensem per head seem too high. A retrenchment may be effected per annum of at least Rs. 10,000.

In the case of the Small Arms schools, the pay and allowances of officers proposed for the next year are exactly double those in the current year. A saving may be effected under the head of salaries for officers of Rs. 1,50,000.

The Light Mortar and Grenade Wing at a cost of Rs. 62,280 may well be abolished. If bombing is needed in any local operations, it can be taught on the spot. The saving would be 62,280.

**Mr. President:** Order, order. This is not a Bill to establish an Army,

**Sir P. S. Sivaswamy Aiyer:** I am only pointing out the various ways of effecting retrenchment so that it may not be necessary to make all the proposals of the Government.

**Mr. President:** It is legitimate on a motion that this Bill be taken into consideration to discuss those items of public policy which have contributed to the deficit, but such details as the Honourable Member is now giving are beyond the bounds of order.

**Sir P. S. Sivaswamy Aiyer:** I may point out, Sir, that my reason for putting forward these things is that it is not necessary for the Assembly to assent to all the proposals for taxation for the purpose of meeting the deficit. It is upon that ground that I beg to put forward these suggestions with all deference to the proposals made by the Government.

**Mr. President:** It is open to the Honourable Member to discuss in more general terms. He is now discussing Army estimates, which is not in order.

**Sir P. S. Sivaswamy Aiyer:** I thought, on the other hand, that if I merely indulged in general remarks, it may be said that I have no specific suggestions to offer.

**Mr. President:** It is open to the Honourable Member to fortify his general remarks with a certain number of statistics, but the detail which he is giving now go beyond the bounds of reasonable order.

**Sir P. S. Sivaswamy Aiyer:** Very well, Sir, I will try to avoid a reference to figures. The Physical Training Schools are on a large scale. They are intended to train British and Indian Officers and Non-Commissioned Officers as Instructors. The Staff is intended for the instruction of various officers and, considering the number of units in the Army, I may point out that the number of Instructors are far too many for the requirements, and that it is quite possible to reduce it by half.

In the case of the Cavalry School, the forage and forage allowances have risen from 55,000 in the current year to more than double or Rs. 1,29,210 in the next. This may be reduced by Rs. 24,000. The Senior Officers' School may well be abolished. To save the House the trouble of listening to these

details, I will mention to them the general effect of my proposals, and hand over my speech to the Government for consideration.

**Dr. H. S. Gour** (Nagpur Division : Non-Muhammadan) : May I rise to a point of order, Sir ? If the Honourable Member is going to hand over his written speech to the Government, we shall be deprived of the benefit of hearing it read. We feel interested as much in the details as in the underlying principles, because we believe that the principles are fortified by the details given by the Honourable Member.

**Mr. President:** I have already said that the Honourable Member is entitled to fortify his principle with details provided that he does not overload his speech with details which will not be in order.

**Sir P. S. Sivaswamy Aiyer :** As I pointed out, Sir, the Physical Training Schools are on a large scale, and they provide for far more Instructors than would be necessary for the purposes of the Army. The Staff is intended to train 177 British officers, 378 British other ranks, 153 Indian officers and 699 Indian other ranks, and considering the number of units in the Army, if so many Instructors are turned out, there will be an excess of Instructors. A reasonable course at schools should not exceed 6 months, in which case the excess of Instructors would be twice as great. Excluding British and Indian officers, the Schools can turn out once a year one Instructor to every 170 British other ranks and one Instructor to every 207 Indian other ranks. One of these schools may be abolished or both cut down by half, effecting in either case a saving of about Rs. 94,875.

In the case of the Cavalry School, as I have already said, the forage and forage allowances are excessive. I propose a retrenchment of Rs. 24,000 here.

The Senior Officers' School should be abolished. It is solely for the instruction of British officers, and while it might have been a useful institution during the war, I submit that it is no longer necessary. Its abolition would save Rs. 2,87,170.

The Artillery School is a new institution costing Rs. 2,38,000, and inasmuch as this is a new institution, it may also be shut down, because, after the war, conditions have altered, and it is unnecessary now.

Armoured Motor Centre is a new institution and unnecessary. Its object can be equally well, if not better, served by training officers and men with the Armoured Motor Company. The scrapping of this will save Rs. 2,76,000.

The Central Mechanical Transport Training School is a pure extravagance and should also be scrapped, effecting a saving of Rs. 4,28,000. The proposal is to train Indian drivers of Mechanical Transport units. There is bound to be a dreadful waste of time, and supplies and damage to machinery. My suggestion is that the Mechanical Transport units should enlist drivers who have been trained and train their own drivers, instead of maintaining a costly establishment costing Rs. 4 lakhs odd.

The Supply and Transport School may also be now abolished and the cost of Rs. 84,000 saved. I have already suggested that the Animal Transport should be reduced by half and the establishment under Supplies has already been largely reduced.

The cost of educating military pupils at Medical Colleges is one for which there is no justification. The abolition of this will save Rs. 3 lakhs.

Under the head Army Education, I admit that it is desirable to improve the education of the soldier to make him a more useful citizen, but I contend that it is not the duty of the people of this country to improve the education of the British soldier who leaves this country on the termination of his service. The country in which he spends the greater part of his life after his service benefits from his improved education and not India. Therefore, the cost of measures intended to improve the education of the British soldier should be paid by the Home Government. If this principle be adopted, the cost of Garrison, Regimental and Detachment Schools for British troops, *viz.*, Rs. 16,12,040, and the cost of the School of Education (British Wing) Rs. 1,84,000, would be saved to the Indian revenues, For Army Education, the Supervising and Inspecting Staff costs Rs. 3,41,000. The cost of this staff, in so far as it is for the inspection of schools for British troops, should be borne by the Home Government. The number of schools to be inspected is not given, but it would perhaps be found that there is no full time inspection and supervision work for 27 British and Indian officers and 25 British soldiers provided in the estimates. The staff should be reduced to half and the cost to Rs. 1,70,680. Schools for British troops cost Rs. 17,96,370, while those for Indian troops cost Rs. 5,69,580. The Lawrence Military Asylums are excluded from the cost of British Troop Schools, because the children

there educated are generally domiciled in India. On the proportion given, the Home Government should bear three-fourths of the Supervising Inspecting cost and the Indian Government one-fourth. This would result in the cost to the Government of India being reduced to Rs. 42,670 and the consequent saving will be Rs. 2,98,690.

Then, Sir, the provision for schools for the education of Indian troops is not excessive, but it is not understood why so much as Rs. 1,68,660 is provided for travelling allowances and incidentals. This figure can be reduced by Rs. 1,00,000. There is one item under these estimates which occurs again and again, and that is travelling allowances and incidentals. This sum is really enormous, and I suggest in various places that the amount of these travelling allowances and incidentals should be reduced by a very considerable amount. For instance, take the Lawrence Royal Military School. This item amounts to Rs. 1,21,000. I suggest a reduction of Rs. 50,000. The school of education, Indian wing, which is a training school for teachers may be dropped till funds can be provided in better times. The particular object of the school can be attained by training teachers regimentally and the saving will be Rs. 1,26,080.

Then, Sir, with regard to Arsenals, Ordnance Depôts and Mechanical Transport, what I submit is that some effort should be made to reduce this expenditure, and I suggest that out of the cost of 15 lakhs for the current year's estimates, at least 10 lakhs ought to be saved. It is a technical subject and I do not wish to go into it, but it may be suggested that in consideration of the reduction of the fighting units, the expenditure should not exceed twice the pre-war expenditure. Moreover, the Mechanical Transport should be abolished or if some of this can be proved to be necessary, the expenditure should be heavily reduced.

Then we come to Clothing Depôts and Supply Depôts. The travelling allowances and incidentals amount to 11 lakhs and I suggest that it may be cut down by at least six lakhs. The travelling allowances and incidentals under Medical Stores Depôts and Veterinary Stores are much too high and should be limited to 1 lakh, thus saving Rs. 68,600. Veterinary Hospitals are estimated to cost 26 lakhs and odd. There has been a reduction in the cavalry units compared with the pre-war figures. There must be a corresponding reduction of veterinary establishment. Reduction of the mounted units by half should reduce the cost of Veterinary Hospitals by half, saving Rs. 13,49,500.

Then, Remount Depôts cost Rs. 53,94,000 including Rs. 36,36,500 for food of animals and expenses of cultivation, Rs. 2,82,000 for travelling expenses and incidentals and Rs. 3,09,200 for fuel, light, etc. The excess over the current year under the heads of transport charges, maintenance and fuel amount to Rs. 6,75,000 and out of this sum at least half or 3 lakhs ought to be saved.

Cavalry British and Indian British Artillery and horses have, I understand, been reduced by about half and the Remount Depôt may, therefore, be presumably reduced by half. If so, a sum of Rs. 26,97,000 can be saved. The horse and mule breeding operations cannot be considered as justifying their cost, if the number of animals bred and supplied to the Army is not given. These operations should pay for themselves or be otherwise discontinued and the expense of Rs. 12,18,000 may be saved. The Central Mechanical Stores Depôt cost Rs. 4,73,000. This, I submit, should be scrapped unless it can be proved that it has saved its cost to Government. It would probably be more economical for units to purchase their own stores. If it is scrapped, the saving would be Rs. 4,73,000. Even if this is not done, at least, 1 lakh out of the excess over the current year may be saved.

The Reserve Vehicle Park, which costs Rs. 2,70,000 should be abolished, the Reserve vehicle being kept with the units concerned. Even if the Reserve Vehicle Park is not abolished, the excess of Rs. 67,000 at least over the current year should be saved. The Mechanical Shipping section is perfectly superfluous and the work can be done by deputing officers and men from the units concerned. This would save Rs. 14,000. We now come to the Manufacturing Establishments. The total expenditure is shown as Rs. 1,06,08,000 and the receipts are estimated at Rs. 79,75,000 leaving a loss or net expenditure of Rs. 29,68,000. My position is that these manufacturing establishments ought to be worked on a commercial basis and should pay their own way and ought not to be a burden on the tax-payer. It is believed that the Base Mechanical Transport Workshops are largely employed in rebuilding cars suitable for work, and if so a profit should be made by these workshops. If the manufacturing establishments are worked in a business-like way, the loss of Rs. 26,33,250 should be saved. Turning to the Stock Account Ordnance

Equipment I find that there is a net cost of Rs. 77,85,200 representing additions to equipments and so on (Head H), and there is a net cost of 12 lakhs representing additions to vehicles. What is the need for purchasing 77 lakhs and odd worth of ordnance and miscellaneous stores and 12 lakhs worth of Mechanical Transport vehicles beyond the requirements of the next year? I suggest a reduction of Rs. 89,95,200 under this head. Then Inspection of Stores is a head including several items. Technical Inspectors of Mechanical Transport Stores cost Rs. 95,000 and may be abolished. Running expenses of motor vehicles amount to Rs. 19,200 and the travelling allowances to Rs. 11,300. Even if the whole section is not scrapped, Rs. 15,000 out of the total excess of Rs. 25,000 over the current year may be saved. The military food laboratory which costs Rs. 86,000, may be scrapped and the analysis required conducted by civil laboratories. At any rate, out of the excess of Rs. 20,000 over the current year, Rs. 15,000 may be reduced. Inspectors of Equipment and General Stores costing Rs. 1,85,550 may be cut off. The inspection necessary can be done by the Staffs of the Army Clothing Department and the Ordnance Department. The Inspector of Remounts, costing Rs. 54,700, may also be abolished, as this is a new department. Then the Recruiting Staff costs Rs. 3,46,000 and the travelling and incidental allowances amount to Rs. 1,05,199. That, I submit, is much too high and the excess of Rs. 46,000 over the current year may be saved. Supply and Transport Record Office and the Veterinary Record Office, which cost respectively Rs. 2,61,000 and Rs. 8,000, are new institutions which should be abolished. No other Department has got a separate Record Office, and there is no reason why the Supply and Transport or the Veterinary Department should have a record office, but not the medical, educational, etc. The records can be more economically kept in the original offices, and the cost of Rs. 2,69,000 saved. I have finished my detailed criticisms. I now come to the Army Headquarters. I find it is an exceedingly delicate and difficult subject and I do not wish to make any impious suggestions dealing with that Department. All I would say is that there has been an increase under this head over the pre-war establishment of 83 per cent. of British officers and 600 per cent. of civilians, and this in spite of a reduction of fighting units. Now, one cannot help feeling that in view of the decentralisation effected by four Army Commands and the reduction in the pre-war strength of the Army there ought to have been some proportionate reduction from the pre-war establishment of this branch. One cannot help feeling that, like many other departments of the Government of India, the Army Headquarter is much too top-heavy. The Railway Transport Staff is unnecessary and may be scrapped, unless it is required for Waziristan, but that does not enter into the sum of 4 lakhs and odd provided under this head. This will effect a saving of Rs. 4,85,800. The temporary staff employed in the Board of Industries and Munitions which cost Rs. 2½ lakhs may be reduced by 1 lakh. Motor charges for District and Brigade Commands and Staff Commands amount to Rs. 8,21,060. There ought to be a reduction of at least Rs. 3,00,000 on this item. Coming to the Air Force, the staff costs in proportion to the army three times as much. The staff of the Army costs $\frac{1}{18}$th of the cost of the maintenance of the Army and $\frac{1}{360}$th of the total cost of the Army, whereas in the case of the Air Force it costs one-ninth of the cost of the maintenance of the Air Force and $\frac{1}{15}$th of the total cost of the Air Force. I suggest a reduction by one-half. The saving will be Rs. 4,24,250. Then there is a charge of 20 lakhs for Aden operations which I do not understand, and I suggest that it may be kept at the present figure of 10 lakhs for the year. Under the Head Miscellaneous Charges there is a lump provision of 20 lakhs for sundry charges which may be cut off. These various suggestions which I have made in the course of my speech, which I propose to hand over to the Honourable the Finance Member, come to Rs. 5,86,97,195 or Rs. 5,81,21,195 or a little more, and in these suggestions I have proceeded on the principle of cutting off luxuries of organisation and not on the policy of Indianisation, a policy which is necessary not merely for satisfying the just desire of the people for self-reliance in the matter of defence, but is absolutely essential in the interests of sound finance and the moral and material progress of the nation. I am well aware that it may be said, and said with great force, that the present juncture is not opportune for any considerable replacement of the British element by the Indian. No one can detest the non-co-operation movement more than I do or deplore its baleful reaction upon the problem of military organisation. But are we not entangled in a vicious circle of increased military expenditure, increased taxation and rise in the cost of living, increase of discontent and again increase of military expenditure? I do not belong to the school which suspects the military authorities of ambitions of their own for professional glory. Knowing, as I do, His Excellency the Commander-in-Chief, I can confidently assert that his one and supreme object is the safety of India and the improvement

of the efficiency of the Army to the highest practicable pitch. It is absurd to suppose that financial considerations occur to the mind only of the non-official critics of the Government or do not occur to or appeal to His Excellency. Naturally His Excellency feels that his office imposes on him the responsibility of suggesting to the civil Government the measures necessary for the absolute ensurance of the security of the country. He feels that he cannot, as military adviser, afford to take any risks, but we have now reached a point when it must be allowed that differences of opinion are reasonably possible. I appeal from His Excellency the great General to Lord Rawlinson the statesman to consider and give due weight to the reaction of the burdens of military expenditure and taxation on the political situation. Let the Government take its courage into its hands and go in boldly for announcing a policy of substitution of the Indian for the British element, and as an earnest of its intentions replace 10 British units in the next year. This alone will effect a saving of about 135 lakhs. Let them also replace the British civilians and artificers in the administrative and ancilliary services of the Army as soon as suitable Indian personnel can be found and trained, and in so far as it is possible to do so under existing contractual obligations.

I believe, Sir, that the announcement of such a policy will pour oil on the troubled waters and bring back the mind of the masses to a condition of sanity. The course I suggest may not represent the highest ideal of military efficiency which His Excellency may desire, but in this world of limitations encompassing human desire and endeavour on every side, are we not often obliged to be content with the second best or even the third best? We piously hope our alliance with Afghanistan may be durable. In any event the Afghan menace has passed from the acute stage. The Bolshevik regime in Russia shows signs of collapse. There is no near danger of any conflict with any European power. With the world powers reducing their armaments and the statesmen of every country endeavouring to make war impossible in the future, there can be no need for India to have a greater army than is absolutely necessary to safeguard the frontiers, and maintain the internal security, and it should be the constant effort of the Government to prune down the army and bring its cost down as near as possible to the pre-war cost. The difficulties in the way of carrying out these are immense and to a very considerable extent insuperable. In the meantime, something must be done to avoid extravagance, to reduce and abolish unessential establishments and expenditure. For Heaven's sake, do not play into the hands of the political agitator who is sure to exploit the burden of military expenditure as calculated to keep the nation down under an everlasting load and send the constitutional reforms to a watery grave.

**The Honourable Sir Malcolm Hailey:** I deem it fitting that I should reply at once to the suggestions that have been put forward by Sir Sivaswamy Aiyer, in a spirit that was, I think, intended to be entirely helpful not only to this Assembly but to Government. I should like, if I may, to pay a tribute to the breadth of view and of judgment that his speech has evinced. It is easier perhaps for me to reply on behalf of Government, because His Excellency the Commander-in-Chief is not here himself; and for two reasons. The first is this. The decision to put forward a Military Budget of 62·18 crores was after all the decision of Government as a whole. It was not forced on us by the Commander-in-Chief and it does not represent the views of any one Member of Government. I have explained elsewhere that when a decision of this nature has been arrived at by a united Government, the Members of that Government must stand by as a whole. It is not open for me as Finance Member to say that that expenditure is in any way excessive and must be reduced. It is not open to His Excellency the Commander-in-Chief to represent that that expenditure is inadequate and must be increased. The decision, I repeat, was that of Government, and the point on which we took our stand, after the most careful and the most anxious consideration of the many details which compose the Military Budget, was that we could not see our way to a reduction, unless we reduced the number of combatant troops. Now that is the point which makes Sir Sivaswamy Aiyer's speech so interesting at this moment. He himself does not advocate a reduction in the present number of combatant troops. He points out to us a very large number of instances within the Army Budget itself in which he believes that economy and retrenchment would be possible without a reduction of combatants. Let me say first that I think his speech affords ample proof that we have not starved the Assembly of information regarding the composition of our forces or the cost of each individual item. . . . .

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): He had other facilities,

**The Honourable Sir Malcolm Hailey:** I am not aware that Sir Sivaswamy Aiyer, in the figures that he has presented to us, had any facility which was not open to every Member of this Assembly. When I heard on an earlier occasion that although the Governor General has opened for discussion all questions relating to the Army Budget, yet the Assembly is not able to discuss it because full information has not been placed in its hands for the purpose, I knew that I should not have to wait long for a practical refutation of that suggestion.

**Sir P. S. Sivaswamy Aiyer:** May I say a word by way of personal explanation with reference to the insinuation by Mr. Rangachariar? Let me assure my friend that there is not one word in my speech or one statement of fact which I have not taken from published records.

**The Honourable Sir Malcolm Hailey:** The refutation, Sir, is confirmed. While I am on this point, namely, whether as a matter of fact we could not have made a large number of reductions within the details of our current Military Budget without reducing combatant troops, I may state that we discussed this question at great length with the Commander-in-Chief. Again let me say that my task is made the easier this morning by the absence of the Commander-in-Chief, because I on my part should also like to add my testimony to the tribute which has been paid by Sir Sivaswamy Aiyer to the fact that Lord Rawlinson is capable of envisaging these problems not only as a soldier but as a statesman. Of the many soldiers with whom I have been connected, I have seldom met one who is more willing to recognise that there are other problems affecting the State than the mere problem of maintaining a sufficient army, and that there are other aspects to the question than that of military efficiency pure and simple. I can bear testimony also to this that he has been an advocate not of a forward military policy at all costs and at all risks, but merely of attaining the maximum efficiency within the Army as it now exists. Now the President has ruled that any discussion in detail of these figures would be outside the scope of this morning's programme, and much as I should like to justify some of the figures that we have placed in the military budget on account of the various items to which Sir Sivaswamy Aiyer has alluded, I shall refrain from doing so. I have another and a good reason. It is this—that we have, as I have assured the House before, been attempting for some time to arrive at arrangements in connection with our proposed Retrenchment Committee which would give it a really authoritative constitution, and we are not without hope that we may arrive at such a constitution as will enable us to charge that Committee to go into certain details of military as well as civil expenditure. If we succeed in our purpose, then Sir Sivaswamy Aiyer's speech or his memorandum, will be a valuable document for the consideration of the Committee. With that, Sir, I shall leave the matter. I hold out to the House the hope that some at least of these items to which Sir Sivaswamy Aiyer has referred will be considered by a body so composed that the House itself and the country at large will be able to accept its opinions as authoritative.

**Mr. President:** The question is:

'That the Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on Kerosene, to fix rates of income-tax and to abolish the freight tax, be taken into consideration.'

The motion was adopted.

**Rao Bahadur T. Rangachariar:** May I suggest that this (clause 1) may wait till after we have discussed the substantive portion, because my amendment is only consequential.

**Mr. President:** The question is that the consideration of clause 1 be postponed.

The motion was adopted:

**Mr. N. M. Joshi** (Nominated: Labour Interests): I beg to move:

'That in line 10 of clause 2 of this Bill for the words 'two rupees and eight annas the words 'one rupee and four annas' be substituted.'

**Rao Bahadur T. Rangachariar:** May I know what amendment this is

**Mr. N. M. Joshi:** No. 25.

**Mr. R. A. Spence** (Bombay: European): May I know in what order the amendments are taken up? There is no reference in the printed documents which we have in hand.

**Mr. President :** The Title and the Preamble to the Bill come last. Therefore the amendments on the first page cannot be moved just now. When I called upon Rao Bahadur Rangachariar to move his amendment to clause 1, he made a reasonable suggestion to postpone. In items 13 to 24 the motion that clause 2 be omitted is unnecessary—in fact it is not allowed by the Standing Orders—and therefore we come to item No. 25 where Mr. Joshi desires to substitute the words 'one rupee and four annas' for the words 'two rupees and eight annas' in the clause imposing the enhanced salt duty.

**Mr. N. M. Joshi:** My intention in moving this amendment is that the proposed increase in the salt duty should not be allowed by this Assembly. Sir, when I spoke during the Budget discussion, I gave in a very few remarks my reason why the salt tax itself is an obnoxious tax altogether. It is a tax that falls upon every man, woman and child without any consideration of their ability to pay it. I also showed that in India the average income of a man is not more than Rs. 35 a year, and that income is hardly sufficient to maintain one person throughout the year. As long as this state of things lasts, I think it is absolutely wrong to suggest a tax which will indiscriminately fall upon all people. I do not object to those people who can pay some tax being taxed; but we must always draw a line below which no man should be asked to pay any tax; and I think that unless we do that, the tax is bound to fall upon those people upon whom it ought not to fall at all. Sir, when these proposals for taxation are generally considered, it is said it is but fair that the tax should fall upon the consumer. I do not quite understand why it is considered fair. The money that is required is required for the work of the State, and the tax-payer is made to pay because he is protected by the State. But is it not a fact that the protection which the State affords is given in increasing proportion according to the wealth that a man possesses. If that fact is true, I think the taxation must fall in an increasing degree upon the richer people. Sir, moreover, if it is said that every consumer should pay a tax, I should like to know whether this House is willing to give representation to every consumer outside this House whether he has educational and property qualification or not. As long as that is not conceded, I do not think it is fair that every consumer in the country, irrespective of his ability to pay, should be taxed in any way. We have not yet got any proposals in this House under which every consumer will be given a representation in the administration of this country, because it is felt that every consumer, in the first place, does not deserve it, and in the second place that the consumer may not be able to take part in the administration. On this ground also I feel that it is not right to put a tax upon every consumer irrespective of his ability. Judging from this point of view, the salt tax, which falls upon every person,—man, woman and child—is an unfair tax altogether.

Sir, salt is required by all persons as an article of food. Upon the quantity of salt consumed, to some extent, the health and the strength of a man depends.

Sir, when the Honourable Finance Member spoke about the salt tax, he only showed that the incidence of the salt tax will not be very large, but he did not show whether this tax will reduce the consumption or not. I believe that if this salt tax is doubled, the consumption of salt in India will be reduced to some extent at least. This has been the experience of past years. When the salt tax was gradually being reduced, the consumption had increased. Moreover, the consumption of salt last year was, as has been pointed out, 12 lbs. per person in India. It has been also found by people who have studied the subject that the minimum quantity of salt that is necessary for a man to keep him in health and strength is at least 20 lbs. That is, in India every person consumes 8 lbs. of salt less than he ought to. Under these circumstances, I do not think that the Government is justified in doing anything which will reduce the consumption of salt in this country. I therefore urge upon this House that the salt tax, the increase of the salt tax, should not be allowed by them in the interests of the people in this country, especially in the interests of those who have not got the ability to pay any tax. Sir, it is also said that the poor people must pay some tax. But is it maintained by anyone that the salt tax is the only tax which falls upon the poor man? A large part of the indirect taxation also falls upon the poor man in proportion to the articles which he consumes. He pays several other taxes. The land tax falls upon the poor man, and all the local taxation falls upon the poor man. It is indirectly a tax on grain, which everyone has to consume. Therefore, the salt tax is not the only tax that falls upon the poor man; and I therefore feel that the Government is not justified in levying this taxation at all, and there is the least justification for increasing a taxation which is already very heavy.

With these words, I recommend my amendment for the support of the House.

**Mr. Harchandrai Vishindas** (Sind : Non-Muhammadan Rural) : May I inquire whether there is any difference in effect between the amendment of Mr. Joshi and the other amendments asking for the deletion of the whole of clause 2 ?

**Mr. President:** Amendment moved :

'That in clause 2, line 10, for the words 'two rupees and eight annas' the words 'one rupee and four annas' be substituted.'

**Rao Bahadur T. Rangachariar:** Sir, I rise to a point of order. You will, Sir, see that the effect of clause 2 of this Bill is to amend the old Act, Act XII of 1882. The effect of Mr. Joshi's amendment will be to restore or rather to leave the old Act standing as it is.

**Mr. President:** I had to proceed on the assumption that the amendment was not the same as an amendment to omit clause 2. I am prepared to hear the Finance Member.

**The Honourable Sir Malcolm Hailey:** Sir, as always, I speak with diffidence on what seems to be a legal point. But it appears to me that, if clause 2 were omitted, we should simply fall back upon the existing procedure. That is, the rate of salt tax would be fixed by executive order under the existing Salt Act.

**Rao Bahadur T. Rangachariar:** Subject to a maximum.

**The Honourable Sir Malcolm Hailey:** Yes, subject to a maximum. I may explain that we considered it undesirable that we should proceed by executive order in a matter of such importance to the House and to the country at large. We, therefore, proposed to place in our Finance Bill a clause which would have the effect of laying down the rates for the coming year, instead of our fixing it by executive order. If clause 2 is removed entirely, then we return to action by executive order ; though I need hardly assure the House, that, having once placed the matter before them, we should be guided by exactly the same considerations as we should were the matter decided on this proposal for legislation.

**Mr. Harchandrai Vishindas:** Could the Finance Member kindly tell us whether the Government have power to enhance the rate without this Bill being passed.

**The Honourable Sir Malcolm Hailey:** Yes, Sir. We can at present enhance the rate within the maximum, which is Rs. 3 per maund.

**Mr. N. M. Samarth** (Bombay : Nominated Non-Official) : Sir, I take it that, having regard to section (3) of clause 1 of the Bill, namely :

'Sections 2, 5 and 7 shall remain in force only up to the 31st day of March, 1923,'

it will be open to the Assembly to make any changes it likes in the rate when the Bill comes before us next year.

**Rao Bahadur T. Rangachariar:** In clause 2 of the Bill Government propose to substitute Rs. 2-8-0 for Rs. 3. It says :

'. . . . the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of two rupees and eight annas per maund.'

Does that mean that Rs. 2-8-0 is now to be substituted for the maximum of Rs. 3?

**The Honourable Sir Malcolm Hailey:** No, Sir. Section (7) of the existing Act reads as follows :

'The Governor General in Council may, from time to time, by rule consistent with this Act, impose a duty not exceeding Rs. 3 a maund on salt manufactured. . . . etc.'

Three rupees is the statutory maximum up to which we can exercise our powers by rule. What we propose to do here is to say that the Act shall be so construed as though we had definitely fixed Rs. 2-8-0 per maund for the coming year.

**Rao Bahadur T. Rangachariar:** I understand.

**Mr. W. M. Hussanally** (Sind : Muhammadan Rural) : Sir, salt is a commodity which is one of the chief necessaries of life. The present proposal to raise the duty on this article will hard hit the poor masses. Sir, in the

year 1882, when the question of reduction of the salt duty was discussed, Raja Siva Prasad said:

'Reduction in duties on salt will be regarded by the poor as a great boon. They will be able to use salt in more adequate quantities to preserve health and life.'

The present proposal is directed to removing that boon and the increase will fall so heavy on the poor masses of India, whose average income is only about Rs. 35 per annum, that they will have to curtail the use of salt which is so necessary for preserving even life. Even in England, Sir, where the average income of the people in 1882 was calculated to be £33 a year, it was considered inadvisable to tax necessary articles of consumption used by the poorest classes. It is beyond my power of thinking, how the Government here can go on raising the proposed tax on salt which is one of the main necessaries of life of the poor as well as the rich. As a result of this proposed increase of salt duty, people will not only have to curtail their own consumption, but they will have to give less to their cattle which must directly affect agriculture. Sir, in this connection, I would like to quote the words of the then Honourable President of the Imperial Council, which run as follows:

'It is contrary to public policy to maintain at a high rate a tax which has a practical tendency to discourage and interfere with the progress and advancement of agriculture.'

Another argument for the proposed increase of duty which finds favour with the Government and its advocates, is that this tax 'presses most equally upon the poor as well as the rich.' But this theory was exploded by His Excellency, the then Viceroy and Governor General of India, as far back as 1882. His Lordship said:

'I admit the wealthier classes in India have always a very large number of persons depending upon them and the salt tax they pay is not a tax upon what they consume themselves only, but also upon the salt consumed by the large number of their dependants. Nevertheless, when every allowance is made for that consideration, I am at a loss to understand how it can be argued that this tax is equable; because, however great the number of dependants a rich man may have, it is quite impossible that the amount of salt duty he pays can bear to his revenue anything like the same proportion which the amount of duty paid by one of those poor raiyats bears to his small income.'

I then, Sir, apprehend, and correctly too I believe, that this increase in duty on salt will, instead of bringing an increase of revenue, decrease the sale of salt and thereby adversely affect the revenues of the coming year. Sir, my apprehension becomes all the more strong when I am reminded of His Honour the Lieutenant Governor's remarks which were uttered in 1882:

'The reduction of the salt duty did relieve the poorer classes and strengthened the financial position very much.'

Coming to the history of the case, Sir, I find that from 1888 to 1903, the duty on salt was Rs. 2-8-0 per maund. In 1903, it was reduced to Rs. 2, in 1905, to Rs. 1-8 and in 1907, to Re. 1. In 1916, it was raised to Rs. 1-4. The successive reductions in duty have led to a largely increased consumption, the figures rising by 25 per cent. between 1903 and 1908, which, I believe, is the lowest increase in consumption which has accrued within the last few years. It therefore follows that if the duty is now raised once more, the consumption must necessarily fall, and the anticipations of the Honourable the Finance Member of realising 5 crores out of this tax will not be realised in any way.

**The Honourable Sir Malcolm Hailey:** 4 crores and 30 lakhs.

**Mr. W. M. Hussanally:** Even so, Sir, I do not think there is any chance of realising that amount out of this tax. It will press upon the poorest of the poor and I hope this House will unanimously reject the proposal.

**Rai Sahib Lakshmi Narayan Lal** (Bihar and Orissa: Nominated Non-Official): Sir, the proposal to increase the salt duty is, in my humble opinion, entirely without any justification whatever. Says the Honourable the Finance Member in paragraph 28 of his Budget speech:

'Finally, we consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our *ultimate* reserve.'

May I respectfully ask, have all other possible means of meeting this emergency been so exhausted as to leave no alternative but to approach this *ultimate* reserve? I hope this House will bear with me that no other means whatever has been tried to meet this emergency and not only the stereotyped way of fresh taxation has been resorted to, year after year, but even the *ultimate* reserve of taxation has been approached, and the greatest curiosity of all curiosities is that although we are supposed to be seriously discussing the

Budget day after day and moving amendment after amendment to the Demands and the Finance Bill, the increase in the duty of even this *ultimate* reserve has already been given effect to from the 1st of this month, as if to give an additional proof of the fact that the new Reform still stands in need of much further improvement before any success may be expected therefrom. Some of the Honourable Members were pleased to remark during the Budget debate that the attempt to reduce the expenditure before the decision of the Retrenchment Committee was putting the cart before the horse. I hope they will surely agree with me that approaching the *ultimate* reserve for taxation without trying beforehand to meet the emergency by all other possible means of adequate retrenchment of expenditure, is putting the cart before the horse. (Hear, hear.) Sir, the remedy of taxation has been tried year after year, but instead of curing the disease it has caused a lot of complications. The deficit has been increasing year after year, notwithstanding fresh taxation proving beyond doubt that the maximum taxable capacity of the people has already been reached, and it is high time that the wise physician, in charge of the poor patient, should give up the remedy of fresh taxation which may be a very good remedy in a rich country, but is not suitable to the conditions of poor India, and which has already been given a sufficient trial, and administer the only other remedy of retrenchment by sufficiently Indianising the administration as much and as soon as possible and by adopting some of the Indian systems, along with the European systems, without which no adequate retrenchment is practicable. But if taxation is unavoidable, I respectfully pray, Hail Cherisher of the Poor, please do not impose a tax which may directly or indirectly touch the pocket of the poor dumb millions or affect the poor industry of the country.

Sir, the Honourable the Finance Member has been pleased to observe in his Budget speech that the increase of Rs. 1-4 per maund will represent 3 annas per head per annum and that it cannot surely be maintained that this will be felt appreciably by even the poorest classes. This could be said if this 3 annas per head per annum was the only tax that the poor had to pay, every tax directly or indirectly affects the poor; then, they have to pay the direct taxes of the local bodies and the Local Government. Poverty does not admit of any sort of taxation whatever. It is difficult for the poor even to make the two ends meet, and the Government should never contemplate imposing any sort of tax whatever upon the poor. Even a small increase is sure to prove heavier than the proverbial last straw which may break the camel's back. Then this tax will affect not only the poor but even the numberless beggars of India, and not only the beggar but even the dumb animals. The regular supply of salt to the cattle is necessary for the preservation of their health and strength and the cultivators, even at the present sale rate of salt, cannot afford to supply sufficient quantity of salt to the cattle, which is one of the causes of their deterioration, leading to the present economic distress of the country, and the increase in the salt duty will accelerate this deplorable deterioration. Sir, this is not the creation of my own imagination. Mr. M. F. E. Gibson, I.C.S., of Madras, in commenting on the subject wrote as follows :

'Even at the present rate it is found that its consumption where most desirable, *e.g.*, for cattle, is very seriously checked by its excessive cost : now, remember the labourers are all vegetable eaters having large families to support on a wage that may be put at 4 pence to 6 pence a day at the highest, for the family in the prosperous districts of Southern India. Suppose each family for personal use alone consumes the small allowance (too small) of two ounces of salt per diem, *i.e.*, less than half an ounce each for table and cooking ; this, with a very small margin for waste, will be, say, 4 pounds a month on which unpurified salt in the lump the duty imposed by Government will be at least 2 pence or one-half day's wage of the whole family.'

Sir, all these remarks are *a fortiori* true to-day when the price of every article is abnormally high. I therefore support this amendment with all the force that I can command.

**Haji Wajih-ud-din** (Cities of the United Provinces : Muhammadan Urban) : Sir, I support this amendment. My reasons are clear and plain. Salt along with bread is the only diet available to the poor. So, such a heavy taxation on salt will, no doubt, cause a great hardship to this unfortunate class. In pre-war days, salt was sold at about 6 pies per seer. Even in times of war, when it was difficult to get hold of this commodity for want of wagons, the price did not go up more than one anna per seer. Since the proposal of enhancement was brought before the House, the market has considerably gone up and consequently the poor are feeling the pinch very badly. I think it to be my duty to ask the House to accept this amendment simply to help the poor and make up the deficit from other sources not affecting the masses.

**Sir Montagu Webb** (Bombay : European) : Sir, I oppose this amendment. I do so because I think that the first duty of this House is to provide the

Government with ample resources wherewith to meet the expenditure which this House granted last week. Owing to a combination of high prices and poor trade, we are once more faced with a serious deficit, and unless we provide the means wherewith these deficits can be avoided, we must of necessity go further and further down-hill to bankruptcy and destruction. Now, even if this House votes every item which has been put in the Finance Bill and if those new taxes yield to the full the income which is anticipated, we shall still have to face at least a two crore deficit. But I ask this House, does any man believe that these estimates will yield the figures which are entered in the Budget? Does any business man, any practical producer, any trader or banker or ship-owner believe that the customs revenue will yield the Rs. 15 crores of additional revenue which appears in the Budget? I think not. Nor do I believe even that the income-tax changes will yield the Rs. 2¼ crores which have been shown in the Budget. We are, therefore, faced with a very serious position and funds have to be found. I should like also to remind this House just in a couple of words what must happen if we do meet this deficit. If we do not fill the deficit, we shall then have to repeat for the fifth year in succession the same unsatisfactory and bad finance which we have witnessed for the last four years; more borrowing, more inflated currency, still higher prices, greater expenditure all round, more complaints against Government, greater deficits still next year, and, in general, a vicious circle from which there is no escape. Now, I should like just for one moment to turn to the question of the ability of the poor to pay. Let it not be supposed for one moment that I have no sympathy for those who are in the lower classes of the social and economic scale; not at all; but as a practical man I must say that with all those with whom I am in touch in the last few years,—working classes in all branches of life, there is no getting away from the fact that their earning powers have increased, their wages have in some cases doubled and even trebled. In fact at no time were the working and poorer classes more capable of meeting a slight portion of the Government's extra expenditure than they are at the present day. If we turn now for example to 1903 when the salt tax was last at the Rs. 2-8-0 level, and if we try and discover at what level wages were generally throughout the country among the agricultural classes and among the industrial workers, as compared with wages to-day, we have ample material in the Department of Statistics' Record of Prices and Wages, we see that wages since 1903 have doubled and trebled throughout the whole country. If we take unskilled labour in the rural areas, I find the increase has in some cases been 50 per cent., 75 per cent. and 100 per cent. (*Mr. Shahani*: 'And prices?') Prices, I quite agree, have risen too, and there is no reason that I can see why the price of salt should not also rise a little. It is very largely because prices have risen and wages have risen that Government has incurred increased expenditure. That is why we are called upon to provide this additional taxation, because Government have had to incur increased wages and increased expenses owing to the rise in prices in all directions. It seems to me, therefore, that the argument that the poorer classes cannot stand this additional taxation is not based on solid grounds. I do not think that this House should allow its humanitarian feelings for the poor—and, as my Honourable friend on the left said also for the beggars and for the animals,—to refuse to provide the Finance Member and the Government with the money which is essential for carrying on the work of the Government.

I can summarise my arguments by saying first of all that the poorer classes are quite able to contribute a small additional sum towards the cost of carrying on the Government; that is the first argument; secondly, if we do not provide the necessary means, then Government will have to meet more deficits with more inflation of the paper currency and still higher prices. If perhaps Government can meet the sentimental feelings of the House by raising the duty only to Rs. 2 instead of Rs. 2-8-0, I think perhaps that might go a good way to meet the sentimental feelings of the House (*Cries of* 'No'); but I submit that no case has been made out for not raising the salt duty at all.

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-Official): Sir, Sir Montagu Webb, with that great sympathy which he always feels towards the poor of this country, has suggested that, if there is a deficit, it is right and proper that the salt tax should be increased; that is to say, he would suggest that the people who are voiceless, the dumb millions, should be taxed and persons who have voices, who are vociferous, should be left alone. Certainly these people whom we are here to represent ought to be protected under all circumstances. Now, Sir, the history of the raising of this salt tax proves that there has not been enough consumption in the country; this has led to the increase of sickness and epidemics. I find, Sir, after the year 1887 when the consumption of salt stood at 8,37,00,000 and when Lord Dufferin raised the duty to

Rs. 2-8-0 per maund, there has not been any steady increase in consumption, although as was pointed out by the Honourable Finance Member the figure at this moment is higher than what it was in the year 1887; we will have to take into account the fact that there has been a considerable increase in the population of the country; yet the consumption of salt has in no way been commensurate with the increase in the population; and as a result this increase of duty has had this disastrous effect, namely, of making the people take less salt than they ought to do; and as everybody knows the result of that has been that there have been greater epidemics and greater sickness in the country. Sir Montagu Webb said, and the Honourable the Finance Member has also said the same thing in paragraph 28 of his memorandum, that the only effect of increasing the salt duty would be to put an additional taxation of three annas per head. Now, the question is whether the poor of this country can bear three annas per head additional taxation. Some years ago, Sir, about 40 years ago, a great financier in Madras, who was also a great thinker, estimated the annual income of the people of that part of India at Rs. 27 per annum, or Rs. 2-4-0 per month. I take it,—having regard to what Sir Montagu Webb has said, that there has been a great increase in the wages—that the income may be estimated now at Rs. 5 per month or Rs. 60 per annum. (*Cries of* 'Too high') Some of my friends say, it is too high, but I am willing to take it that the people are able to earn Rs. 5 per head per month. Now, Sir, if you will look into the figures as regards the increase in the cost of living, it will be found that it has grown out of all proportion to the increase in the wages. I have a paper this morning which was issued by the Madras Publicity Bureau to-day which is presided over by my Honourable friend, Mr. Rangachariar. That paper shows that since 1914 alone the increase has been 70·3 per cent. in the cost of living, and if you go back to the days of 1889-1890, it will be found that the cost of living since those years has gone up to so much as 300 per cent. Now when you compare the increase of wages I put it down at the very high figure of Rs. 5 per head,—with the cost of living, you will find that it makes the position of the poor very unenviable. Sir, taking off 3 annas per head from these people means almost starvation for them. These people have to provide for their clothing, the cost of which has increased enormously. The cost of rice also has increased enormously. Under these circumstances, if they have to make any provision for lean years, it will be found that by increasing the salt tax at the rate of 3 annas per head you will be depriving them of the very necessaries of life. Moreover, Sir, it has to be remembered that the people of this country have many ceremonies to perform, they have marriages to perform, and if you calculate their income only at the rate of Rs. 5 per head per month, it will be impossible for them to make both ends meet.

Sir, Lord Cross said in his despatch which was sent to this country when the proposal to raise the tax on salt was made during his regime:

> 'I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the duty on salt. While I do not dispute the conclusion of your Government that such an increase under existing circumstances is unavoidable, I am strongly of opinion that it should be looked upon as temporary, and that no efforts should be spared to reduce the general duty as speedily as possible to the former rate.'

Now, Sir, the Honourable the Finance Member has pointed out that this is a reserve which the Government is entitled to fall back upon on occasions of necessity. He has also pointed out that our deficit is going to be fairly permanent, because, as he said, there is not much chance for a long time to come of normal times setting in. Under these circumstances, if you increase the taxation to Rs. 2-8-0 a maund, there is every chance that it will remain at that rate for a long time to come. It was against this from the year 1888 onwards various public bodies in this country, the Indian National Congress in their Sessions year after year, and many eminent Indian publicists, have been protesting, and it was in consequence of the protests that the duty was reduced later on to Re. 1, it was only raised to Rs. 1-4-0 in the year 1897. Under these circumstances, I strongly appeal to the Honourable the Finance Member to give up this tax altogether. We the Members in this Assembly represent the interests of the poor people who have no voice, and I think that the Honourable the Finance Member owes a duty to the country to see that the poor people are in no way taxed and that their life is not made unendurable.

**Babu B. N. Misra** (Orissa Division: Non-Muhammadan): Sir, I beg to support this amendment. I rise partly with diffidence, because I am new to this Assembly, and partly with great confidence. I hope I may be excused if I have any shortcomings as a beginner.

Sir, the Honourable the Finance Member said that the present proposal to raise the tax from Rs. 1-4-0 to Rs. 2-8-0 per maund would not tell very

heavily on the poor Indian consumer. He also said that it would cost each member 3 annas more, and that if each family consists of 4 members, it would cost the family Re. 0-12-0. He has not, of course, taken into account the fact that each individual has to consume about 6 seers of salt, over and above the salt consumed by his animals. Besides a large quantity of salt is spent in curing fish and so on. Now, Sir, assuming that it would cost 12 annas for each family for salt, perhaps the Honourable the Finance Member who always deals with crores and lakhs, hundreds and thousands, cannot imagine what three annas mean to the poor Indian. (Hear, hear.) Sir, the poor people toil the whole day long and each family can spare to spend about two annas for the whole month for salt. Now if you increase the rate, he will be able to buy only half the quantity of salt, he is now consuming. If he buys one seer now, after the tax is increased, he will have to buy only half a seer or one pound. Now, Sir, how can he buy the salt which is necessary for his consumption with his limited income? You have not given him any more wealth Suppose he has got only one anna in his pocket and he has to buy salt for his use which may be just sufficient for him. Now after the tax is increased, how can he buy the necessary quantity?

Now, Sir, let us imagine what he eats. The poor people of this country have not got large tables richly furnished with crockery, forks and spoons, as so many fortunate Members of this House have, nor can they afford to eat chops, cutlets, *pulaos* with other side dishes. Sir, the poor have got to live only on rice and a pinch of salt; they have to live on wheat or *raggy* and a pinch of salt. They have not got side dishes, perhaps there are many who have never seen the face of a curry or a side dish. If you take away half of the salt which is required by him, how is he to live? I submit, Sir, he will simply be driven either to leave half of his food or he must take food without any salt. How difficult it will be for him to live like this I leave the Assembly to imagine. Sir, medical men say that salt is absolutely necessary for our digestion besides being alimentary. A poor man who eats nothing else but simple rice and salt, if he cannot purchase half of it owing to the proposed increase in taxation, I submit, that not only he will not be able to take his food properly, but perhaps we shall be accelerating his death by making him subject to so many diseases. (Hear, hear.)

Sir, many Honourable Members have said: 'The income of an Indian is very limited'. The Indian peasant is always in want. Sir, he always borrows money and takes advances long before his crop is ready for harvesting. We cannot conceive that such a man, who is always in need, will have any reserve to give to Government in the shape of increased tax. I submit, Sir, if you increase the salt tax, it will produce great hardship on the poor peasants, who form about 90 per cent. of the population. This tax we should never increase. Of course, the British Government always deals with crores and lakhs. They perhaps think that 2 or 3 annas mean nothing. But, Sir, in these days when we are living almost on famine prices, for almost every necessary article of life, I submit it will be impossible for the middle class or the poor people to save more money to buy their salt. If a man has got one hundred rupees, you can take away fifty rupees from him, or if he has ten rupees, you can take away 5 rupees from him, or if a man has got only one rupee you can take away ·9 from him; but if a man is always in want and if he has ·000 with him, how can you take anything from him? (Laughter.) I would ask the House to consider the condition of the poor people according to their standard of life and not judge them by the same standard of life as we are living.

Now, Sir, much has been said about retrenchment, want of revenue and so on, it will perhaps be preposterous for me to make any remarks about these things. But I believe the whole thing is carried on, *on a wrong basis*. Sir, I must say that the English people who have come to India, instead of Indianising themselves have Anglicised the Indians. (Hear, hear and loud Laughter.) Sir, the English people always live in luxury and their standard of life is very much higher than that of the Indians. The people of India are very poor. Whence are they to get so much money to live like the English? If English methods and English standards are applied, certainly it is impossible for India to be able to cope with them. Of course, all Honourable Members have known their own standard of living. One dinner for them costs Rs. 2 or Rs. 5. On the other hand, do the Government realise that with Rs. 3 an Indian can live a whole month? What is the proportion? English standards and Indian standards are quite different. The whole mistake lies with the English Government. There is also another thing. English people, even retired Governors, Lieutenant-Governors and other high officials, when they are in England, can go by the penny Bus, penny train. But in India, Sir, three First Class (fares) are necessary for them. In India, for a Lieutenant-Governor, a special train is necessary. I

admit, that the Englishman is most practical, very business-like and very polite. He is the best friend, companion, helper and sympathiser. But unfortunately the Englishman in India is neither an Englishman of England or in England, but is something quite different. I do not mean that he is transformed into something different from mankind. But, Sir, he is an *official*. We have to understand the English vocabulary in a different way. We must think that the English people have a different Dictionary for themselves and a different Dictionary for Indians. I may quote to you, Sir, an instance. You all know, even His Excellency the Viceroy when he writes to you, will write 'Your most obedient servant'. Any big official, when he writes to you, subscribes himself 'Your most obedient servant'. What is the meaning of those words? 'Your most obedient servant'? When you implore them that a certain thing should not be done, they will carry it out against your wishes. What sort of obedient servants these Honourable official members are? His Excellency has the power to veto all the Resolutions of this House. ('No, no.') Whenever he wishes, His Excellency has the power to veto although he is the most disobedient (Laughter) 'obedient servant.' He must describe himself either as His Majesty's obedient servant or the Indian Government's most obedient servant.

**Mr. President:** Order, order. It was a little difficult to know when exactly the Honourable Member began to go out of order, but he is certainly out of order now.

**Mr. B. N. Misra:** I am just speaking about the Englishman in India, Sir. Of course my idea is that they should not write 'Your most obedient servant' but either write the most disobedient servant or the most oppressive master or act like obedient servants.

Coming to the subject under discussion, the difference is between the standards,—the point of view of Government and the point of view of the poor Indian. That is why, Sir, we have always a tug of war for retrenchment. I admit that Honourable Members have a very good intention, but they cannot but think in the way in which they have been brought up. That is why the establishment becomes so costly. Sir, India is very poor. India is overwhelmingly poor. The other day an Honourable Member said: 'We stand by Statute'. But all these Statutes are human-made Statutes. They can be passed to-day, amended to-morrow and repealed the day after to-morrow. But there is a Higher Statute, Higher Right, Justice, Equity and good conscience. I appeal to this Assembly that justice should be done. When His Excellency came out to India, he held out all hopes that British justice will be given, the poor millions should be protected. They cannot support a costly Government. Some sacrifice should be made. (*Cries of* 'Salt, salt'. *Dr. Gour*: 'Now you stick to salt'.) I submit, Sir, that the interests of the poor Indians should be looked into and any increase in the duty will make the scale go down much below and will hang very heavily on the neck of the poor peasants. There is this difficulty, that money should be scraped by any means—by hook or crook. But I appeal to this Assembly that there are many other ways. Perhaps our official friends will never agree to a proposal for retrenchment. But I appeal to them to make us as rich as the British people are. Let them make us as rich as they are and live in as high a style as they live. We have no objection to grant money. Let them look to our interests and those interests will be served perhaps by opening up many new channels, opening up new mines or starting new industries. In this connection, Sir, I wish to point out to this Assembly that the Orissa coast has a great possibility, and salt can be manufactured there. So long ago as 1822, the then Commissioner of Orissa, Mr. Sterling, wrote that 'First salt of all India' was produced there and the Salt Industry could fetch 18 lakhs of rupees as revenue to the Government. This was a hundred years ago. I think if the industry had been taken care of by the Government all these years, it would be fetching a crore now, and this crore would have gone towards meeting the deficit. There was also a Resolution about this in the Bihar and Orissa Legislative Council, and the Governor of Bihar and Orissa promised to move the India Government to have salt manufactured there. I do not know what has become of that proposal. Besides there are many other ways in which the income of the country can be increased and the standard can be maintained. To increase the taxation without increasing the wealth of the poor is, I submit, really a great hardship, and surely the tug of war will never come to an end.

With these words, Sir, I support the amendment.

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): Sir, I rise to support the amendment moved by my Honourable friend, Mr. Joshi, and, in doing so, I wish, in the first place, to answer one or two

arguments that have been advanced by my Honourable friend, Sir Montagu Webb. Sir Montagu's principal argument is that wages have gone up, but the salt duty has not gone up, and, therefore, there is room for increasing the salt tax. I ask my Honourable friend, Sir Montagu Webb, if wages have gone up, have not the prices of commodities gone up simultaneously ?

**Sir Montagu Webb :** All except salt.

**Mr. Jamnadas Dwarkadas :** I ask him the further question, does he or does he not know that, although the wages have gone up, the rise in wages is not in proportion to the rise in prices ? If he admits that fact, then he must also admit that there is no room for further taxation on salt. Far from that, Sir. Having proved that economically it is a very unsound proposition for the poor man to have to pay a double tax on salt, I want to bring to the notice of the Honourable Members of this House one more argument which ought to weigh with them. You are asking the poor people to pay this additional tax on salt. It means that people who are not at all concerned about political matters will have automatically a knowledge of the fact that because of the system of Government that exists here, they are called upon to pay double the price they used to pay for salt. The fact is that while you are going to double the duty, I have found that on the 2nd of March the prices were doubled in almost all the places. (*A Voice* : 'Even before that.') What does that mean, Sir ?

In these troublous times it means that in the shape of the additional salt tax you are sending round to every home in the country an inevitable messenger of revolution. I ask the Honourable Members of the Government whether, considering the times in which we are now living, they are prepared to take this risk. I ask the Honourable the Finance Member whether, if the salt tax becomes an additional factor in creating further disorder in the country, he will not come along with His Excellency the Commander-in-Chief and say that the military expenditure is justified because there is disorder in the country. Are we to be called upon to bear further burden, further military burden because our policy of taxing the poor cannot be withheld in these critical times ? I feel sure, Sir, that this tax, which not only hurts the poor from the point of view of money but which is an inevitable messenger of revolution, will not be agreed to by this House.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member) : Sir, the House will, no doubt, be surprised that I should rise to speak on this occasion instead of the Honourable Sir Malcolm Hailey. The explanation is that salt is dealt with administratively in the Department of Industries, and, therefore, so to speak, it is my business first to go over the top. I am aware that this proposal for an increase in the excise duty on salt has not met with favour in this House. Amendments have been put down not only by the Democratic Party but also by the National Party, and I also notice that many of those stalwarts who have declined to bind themselves by any Party shibboleths have risen in different parts of the House to add to the chorus of its disapproval. Nevertheless, Sir, I stand here on behalf of the Government of India, unrepentant and unashamed. I put it to this House that we deliberately went out of our way to place this proposed increase in the salt tax before this House. That does not look as if we were afraid to do so. As a matter of fact, we held then and I hold now, that this proposal to increase the salt duty is justified in the circumstances of the case. I do not wish to be misunderstood. I hope that every one in this House will recognise that the Government of India do not like raising this tax any more than any one else. We knew perfectly well that the raising of the salt tax would be unpopular in this House, and the House, I am sure, will believe me when I say that we do not wantonly enter into a conflict with the Legislative Assembly. We knew also that the tax would be unpopular in the country and that, as Mr. Jamnadas Dwarkadas has pointed out, it would be liable to misinterpretation and misconception. We recognised also that theoretically the salt tax is a bad tax, that it is a tax on a necessity of life, and more than that, since the consumption of salt does not vary materially with the wealth of the consumer, that relatively the salt tax presses more hardly upon the poor than upon the rich. (Hear, hear.) All that I freely admit. But, when we have said that, I hold that we have said all that can be said against this proposed enhancement of the salt tax, for I am utterly unable to agree that the enhancement of the tax is going to be any real hardship to anybody, even to the very poor.

Let us go back into the history of the tax. I will not go very far, but as Mr. Sesbagiri Ayyar pointed out, the tax was raised from Rs. 2 to Rs. 2-8-0 in 1888. It remained at that figure till 1903 when a reduction was first made. In making that reduction, Sir Edward Law explained that

most careful inquiries showed that the impost was not felt severely in the country, but the Government reduced the tax because they were in a position to do so, because they recognised that the tax was theoretically a bad tax and because Sir Edward Law thought it most important that India should have a reserve of taxation on which to draw in case of emergency. Does any one in this House suggest that that emergency has not come now? I should like this House to remember that if this House refuses to raise the salt tax—refuses to raise it not merely to Rs. 2-8 but to raise it at all—no amendment has been put forward that a smaller enhancement should be made, though an addition of every four annas in this tax would bring in a crore—if this House thinks that this tax should not be raised in this emergency, then the only conclusion that can be drawn is that the Legislative Assembly does not think that in any case the salt tax can ever be raised. Sir, when in the fulness of time *Swaraj* comes and my friend, Mr. Rangachariar, becomes the Chancellor of the Exchequer, I make bold to say that he will regret this day. (*Mr. Rangachariar*: 'For national purposes only'.) What do we propose to do to-day? We propose to raise the tax by Rs. 1-4-0 a maund. As Sir Malcolm Hailey has told you, that means that we shall add to the cost of living for the consumer to the extent of three annas per head per annum, 12 annas per family of four per annum, one anna per family of four per month, and one pie for a family of four for every 2½ days. Is anybody prepared seriously to say that this country cannot stand it? (*An Honourable Member*: 'What is the daily income?') The country could stand it in 1903-04, and, if anybody here is prepared to get up in this House and say that the country is less able to stand this tax of Rs. 2-8-0 than it was in 1903-04, I join issue with him at once. (*Mr. Joshi*: 'Who said that the country was very well off in 1903-04?') The figures that have been put forward as the estimated annual value of an Indian's income—such figures are mere estimates and are of no value at all. The statement has been made that the rise of wages has not kept pace with the cost of living. That is another statement which cannot be proved. We have no index numbers of the cost of living in India, except recently in Bombay. We know that wages have risen in every class of life. Let us look at the facts we know. (Mr. Joshi rose to speak.) Will the Honourable Member make his speech later? What is the best test of the standard of living in India? What is the best test of prosperity in India? There is one absolute and certain test, and that is our experience in times of famine. I was Foodstuffs Commissioner in 1919. In 1919, we had the worst crop failure that we have ever had since 1900-01. The crop failure was so bad that we were literally afraid that there would not be enough food to go round in India, and yet the experience in every part of India was that the country stood up to that crop failure and to the enormous rise in prices that followed it, in the most astonishing and remarkable way. In 1901, the number of persons on relief at any one time was 6,500,000. What was it in 1918? 500,000. Does not that show that the standard of living has gone up all through India? Take, again, another certain bit of evidence. It is stated by Mr. Joshi and others that this tax is going to press most hardly upon the poor men, upon the lower classes. It is a notorious fact that these lower classes drink the most. In 1903-04, the revenue from drink in India was 7 crores of rupees. In 1918-19, the revenue was 16½ crores, and it has grown enormously since then. The lower classes in this country are now able to spend nearly three times as much on their luxury, drink, as they were able to do in 1903-04. After that, does any one mean to tell me that we are going to do any serious harm if we add to their cost of living by a sum which may be estimated at one pie for every 2½ days for a family of four? Surely the statement is nonsense. Look at it in a broad way, and I have merely to repeat what Sir Malcolm Hailey has said—look at it from the point of view of the Government. The Government is responsible for the finances of the country. We took the view, and we take the view still, that the deficit must be bridged. However much we may complain of the way in which the deficit has been caused, it is up to you as well as us, as responsible for the interests of India, not to allow that deficit or any large part of it to remain unbridged. We consider that that is the right course to take in the circumstances of the present time. India, at the present moment in regard to this matter, stands financially at the parting of the ways. On the one side, there is the straight and narrow path of financial rectitude. India stands high in the estimation of the world for sound, honest and conservative finance, and, if India shows grit, if she is prepared to stand up to taxation, which we admit to be heavy, in a year or two India will be back to solvency as soon as normal trade conditions are restored, and then, Sir, this unpopular tax or any other unpopular tax can go off. But the advantage of that course, a course which I admit to be a difficult one, is this. If we meet this deficit by extra taxation, of

course we add to the cost of living. Nobody denies it, but, Sir, we add to the cost of living in a way which we can control. We know precisely how much we add to the cost of living, we know exactly the way we do it and to what extent, and we retain control. The other course is the easy course. The other course is to leave the deficit unbridged and to refuse the Government of India the taxation we require. What will be the result? The danger is that you drive us to inflate the currency and then, mark what happens. You increase the cost of living in a far more dangerous and a far more insidious fashion, and, moreover, you increase it all round, not merely for a condiment like salt, or oil or matches, but you reduce the purchasing power of money and that means that the cost of living goes up in the case of every possible article, the food grains and everything else. You set up a vicious and dangerous spiral. The purchasing power of money goes down. The cost of everything goes up. You set up another cycle of industrial unrest, leading eventually to a large increase of wages. That sends up the cost of production. That means more inflation, another rise in prices, more unrest and more wages. The disadvantage of this course is that we lose control. That is the easy way, the broad and easy way that leads us to financial destruction. Now, Sir, that is the choice that lies before the House. You can take the honest course, the straightforward course and the difficult course of giving us this taxation we require, or you can take the easy course which will enable you to go back to your constituents and say: 'We have saved you from the duty on salt.' That is the popular and easy course, but, Sir, what I fear is that, if we take that course, we shall start India on an inclined plane which may lead to financial chaos.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars: Landholders): On behalf of the agriculturist, I rise to protest strongly against the imposition of this additional salt tax. It has been rightly pointed out that increased salt tax will operate very harshly upon the rural population. I have yet to know that Rs. 27 is the average income of an agriculturist per year; but granting for the sake of argument that it is, the expenditure of twice 12 annas on salt alone for a family of four is verily a large proportion and will be a great hardship to the *pater familias* in rural areas. It has been said that the need of Government is great, and that on that ground the House should consent to impose this additional tax. I want to point out the desirability of obtaining the additional revenue required from other sources. It has been suggested by the '*Times of India*' that the interest which accrues on the Paper Currency and the Gold Standard Reserves should be applied to general revenue. I would like very much to know why this expedient, if it is feasible, should not be resorted to. I would also refer to the desirability of closing the bottomless well of military expenditure in Waziristan. I doubt if the entire expected sum, *viz.*, 4·3 crores, will accrue from the imposition of this additional tax. I would suggest the Government seeking to realise about 3 crores, that they will get from the proposed increase in salt tax, from the proposed military expenditure in Waziristan. It may not find favour with Government, but it is a suggestion which is well worthy of consideration. This tax will create political discontent in the country and on that account this tax should not be gone in for.

**Rai D. C. Barua Bahadur** (Assam Valley: Non-Muhammadan): The year 1903 is regarded by Indian people as one of blessed memory, for in that year the salt tax was reduced to Re. 1 per maund on the occasion of the coronation of his late Imperial Majesty King Edward VII and in consequence of that it was regarded by the people of India as a permanent settlement in the matter of the imposition of salt tax on India. That is, in other words, people regarded it as a permanent limit even to the imposition. Of course there was a slight increase in the year 1916 in the shape of 4 annas addition to the duty but it was regarded by the people as a war measure and they also expected at the same time that even that could be removed as soon as the war is over. But on the contrary they are now going to find that the increased tax has now been doubled. Of course, apart from the difficulty there will also be sentimentality in this respect and sentiment is not to be killed. We, as Members, feel this difficulty, that when we go back, people will say: 'These people who have gone to the Assembly have managed to raise the tax.' This is the feeling throughout my province. I have been informed by correspondents from my part of the country to that effect. Apart from sentiment, it tells upon the poorer section of the community and so the tax should be removed. Sir, in this connection I beg to submit that salt is not the only commodity on which the poor people are required to spend money. There are other things. Now the embargo on rice has been removed. People will have to pay more for rice. Rice is a necessary of life as much as salt and the removal of the embargo will bring in more revenue to Government as export

increases, and increase of export means rise in price for the consumer. The poor people will also be hard hit in that way, while Government will benefit by the removal of the present embargo.

The embargo on the export of rice was put on so that there might be less export and more rice in the hands of the people for the consumers in this country and at a cheaper rate. The putting on of the embargo had the effect of reducing the export of rice, with a consequent reduction in the export duty. Now, the embargo has been removed. This has not been taken into account in the present Budget; it ought to have been taken into account in the present Budget; and, if it had been taken into account, it was to be hoped that the Honourable the Finance Member would have seen his way not to saddle these items with further taxation, and not to increase the duty in some cases not only to 100 but to 300 per cent. So, Sir, salt is not the only thing; it will affect the other things also in effect, and affect the poor people. There have been suggestions for the increase of taxation under other heads also; so at one and the same time, in my humble opinion, taxation should not be imposed on the necessaries of life. Sir, we have seen that the highest ambition of a good Government in every country, in every civilised country, is to make the breakfast table free at least; that is the principle of taxation of the English House of Commons; and, in the face of that, if we raise prices generally by raising the tax on salt, by making rice dear, by removal of the embargo and so forth, and if we are going to impose taxation on clothing and other necessaries of life, there will be no end to the miseries of the people.

With these few remarks, I beg to support the amendment to leave the salt tax as it has been hitherto.

**Mr. J. Chaudhuri** (Chittagong and Rajshahi Division : Non-Muhammadan Rural) : I move that the question be now put.

**Mr. President** : Amendment moved :

'That in clause 2, line 10, for the words 'two rupees and eight annas' the words 'one rupee and four annas' be substituted.'

The question I have to put is that that amendment be made.

The Assembly then divided as follows :

AYES—68.

Abdul Majid, Shaikh.
Abdul Quadir, Maulvi.
Abdur Rahman, Munshi.
Abdulla, Mr. Saiyed Muhammad.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Ahmed Baksh Khan, Mr.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barodawala, Mr. S. K.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Dalal, Sardar B. A.
Das, Babu B. S.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Ikramullah Khan, Raja M. M.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Samarth, Mr. N. M.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Adit Prasad.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vishindas, Mr. H.
Wajihuddin, Haji.

NOES—32.

| | |
|---|---|
| Aiyar, Mr. A. V. V. | Keith, Mr. W. J. |
| Akram Hussain, Prince A. M. M. | Lindsay, Mr. Darcy. |
| Bradley-Birt, Mr. F. B. | Mitter, Mr. K. N. |
| Bray, Mr. Denys. | Muhammad Hussain, Mr. T. |
| Bryant, Mr. J. F. | Percival, Mr. P. E. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Renouf, Mr. W. C. |
| Crookshank, Sir Sydney. | Rhodes, Mr. C. W. |
| Dentith, Mr. A. W. | Sapru, the Honourable Dr. T. B. |
| Faridoonji, Mr. R. | Sharp, Mr. H. |
| Fell, Sir Godfrey. | Spence, Mr. R. A. |
| Habibullah, Mr. Muhammad. | Vincent, the Honourable Sir William. |
| Hailey, the Honourable Sir Malcolm. | Waghorn, Colonel W. D. |
| Hullah, Mr. J. | Way, Mr. T. A. H. |
| Innes, the Honourable Mr. C. A. | Webb, Sir M. dePomeroy. |
| Kabraji, Mr. J. K. N. | Zahiruddin Ahmed, Mr. |

The motion was adopted.

Clause 2, as amended, and clause 3 were added to the Bill.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

---

The Assembly re-assembled after the Lunch at Half Past Two of the Clock.

---

**Mr. President :** The question is :

'That Clause 4 do stand part of the Bill.'

**Mr. Jamnadas Dwarkadas :** Sir, I had given notice of an amendment 'that Clause 4 be deleted,' but I find that, as it is a direct negative of the question put to us, it is not necessary to move it as an amendment but that those of us who want to delete the clause should oppose this question, and so I wish Honourable Members of the House to remember while voting that we are not voting in favour of any amendment but against the original motion as suggested by Government. Sir, in my Budget speech, I have already indicated my opposition to the proposed enhancement of the cotton excise duty, and I wish I could avoid going over the same ground over again. It has been pointed out by my Honourable friend, Sir Montagu Webb, that in Japan alone, of all countries in the world, there is a consumption tax which is similar, for all practical purposes, to this cotton excise duty. I want to answer that argument immediately. It is admitted that in the history of no other country in the world, there is a cotton excise duty on the production of cloth. I pointed out in my Budget speech that in England, when she was faced with the gravest financial considerations during the war, the Government did not venture to suggest a tax on the production of cloth. Now, why is it that in Japan there is a consumption tax ? I may be able to throw some light on that. In the first place, against the consumption tax of 10 per cent., there is an import duty on foreign manufactured cloth of nothing less than 30 per cent. But you have further to remember that that consumption tax is to be refunded in case of export. The main object of the consumption tax is to encourage export of manufactured cloth from Japan and to bring about economy in the consumption of cloth in Japan itself. In India where conditions are so unfavourable to export, it would be impossible for us to think of a consumption tax. As my Honourable friend, Sir Vithaldas Thackersey, has pointed out, we do not produce all our requirements. It is possible if we do not receive any discouragement of this character from Government that we might in course of time be able to supply 80 per cent. of our wants. But at present when we are not able to supply more than half our requirements, it would be impossible for us to think of exporting our manufactured articles outside India, and so the conditions that apply to Japan do not apply here. While the consumption tax in Japan serves as an encouragement to the industry, here consumption tax or an excise duty has served and will always serve as a hindrance to the progress of our industry.

Having answered my Honourable friend, Sir Montagu Webb's argument, let me take the House back to the history of the excise duty. The House will remember, as has been pointed out, that when that duty was first raised, there was a howl in the country, there was unanimous opposition in the country, and even in the then nominated Council it was only by one vote that the measure was carried and it is no secret, Sir, that the cotton excise duty was levied in

order to afford an indirect protection to Lancashire. Sir, I do not want to go through the bitter controversies that have always raged on this question of cotton excise duty, but I want to remind the House that it is this and this duty alone which has always given us the idea that in this country the Government is carried on not in the interest and according to the will of the people of the country, but in the interest and at the dictation of Lancashire merchants. Sir, I will go further and say that if to-day in the country we find a bitter feeling amongst the people and a desire to use only home made articles, the origin of it is this unfair treatment that was given to India in the shape of cotton excise duty. As I pointed out in 1916 when the policy was adopted by Lord Hardinge's Government to enhance the import duty and leave the cotton excise duty intact, it was clearly pointed out that leaving aside the question of enhancing the cotton excise duty, as soon as the finances of the country permitted, the cotton excise duty which had created such bitter controversy would be abolished. We expected after 1916, year after year that the Honourable the Finance Member would find it possible to make a proposal abolishing the cotton excise duty. In 1921, when the tariff was again revised for revenue purposes, we find the same policy adopted by the present Honourable the Finance Member, the import duty was raised for revenue purposes and the excise duty, although we should have very much liked to have it abolished, was not abolished, but was left at 3½ per cent., and now for the first time in the year 1922, when, I am sorry to say, the Fiscal Commission is appointed to investigate the whole question, the Honourable the Finance Member comes with a proposal to enhance the import duty and also to enhance by 4 per cent. the countervailing excise duty. I venture to submit, Sir, that no more unfortunate proposal could have come from the Finance Member in this year. I believe the Honourable the Finance Member has kept himself in touch with the evidence that is published in newspapers, evidence that is recorded before the Fiscal Commission. I think I should be right in making the statement here that a large majority of the witnesses think it improper that even this 3½ per cent. cotton excise duty should continue. Last year in this very House the predecessor of my Honourable friend, Mr. Rhodes, Mr. Pickford (now Sir Alfred Pickford), pointed out that to continue this cotton excise duty was—I do not remember the exact words, but I think he said—'not at all desirable.' He objected to it on the ground that in the commercial history of no other country in the world had such a tax on the production of a necessary of life been tolerated, and he expressed a wish that it would be possible for the Finance Member at an early date to abolish this duty. Now, Sir, we are told that after all it does not hurt the masses of the people, the money that would otherwise go into the pockets of the mill-owners now goes in time of stringency to swell the revenue. Sir, I do not know what force there is in this argument. Personally, I do not think there is any force in the argument. In the first place, those who bring forward this argument ought to know that only 15 per cent. at the outside of the population use imported cloth, and the remaining 85 per cent. of the population use home-made cloth. Secondly, the prices of the home-made cloth are not regulated by the prices of Lancashire goods. Anyone who knows anything about the mill industry in India will admit that there is so much internal competition between the mills in India that it is not possible for them to combine and to charge a higher price in consequence of the high price of the Lancashire cloth, and so this argument that, because Lancashire cloth will sell high, therefore the Indian mill-owner will also raise the price of his cloth, does not hold any water. There is competition here and the price of the cloth will always be kept down, because of this competition that prevails in India. But, Sir, I have been noticing in the papers every morning that this solicitude for the masses is not merely confined to the Government of India, who had no hesitation in imposing this cotton excise duty and afford an indirect protection to Lancashire industry, but it has also travelled across the seas to some of the Members of Parliament. We had always thought in the past that when questions concerning India arose, when any suggestions came from 'this subordinate branch of the British Government,' according to an ex-Viceroy, they were not to be looked at from the point of view of the interests of this country, but the interests of Lancashire always predominated in the decision that was given on various questions concerning India.

It is only now that we find in England a sudden love, a sudden solicitude for the masses springing up among Members of Parliament who come out and say that, if the countervailing excise duty is not raised, if the import duty is not lowered, 'we shall be failing in our duty, that we have imposed on ourselves, of protecting the masses of the people of India.' Sir, when this suggestion comes from across the seas, I think there is not a sensible Indian in this country who does not look with a certain amount of suspicion at this suggestion because it is almost certain that, underlying this suggestion, which is the result of the so-called solicitude that the people in England feel, is

self-interest, the feeling that if Indian industries grow and hold their own, then probably England is likely to lose its market in India. Therefore, Sir, I dismiss those suggestions on the ground that no sensible Indian will ever countenance them or think that there is any real good feeling for the masses of India underlying those suggestions. Sir, as I pointed out we were looking forward to the Finance Member coming with a proposal to abolish this tax. We thought that the Finance Member having kept himself in touch with what is going on in the country, having read the evidence that has been recorded before the Fiscal Commission, would, if he could not find it possible to abolish this cotton excise duty, not have ventured to bring before the country a suggestion that it should be enhanced. The additional 4 per cent. will have to be paid, not by the mill-owners, as I pointed out, Sir, but largely by the poor consumer of cloth. It has been pointed out how additional tax on salt would have been a great burden to the poor man; he has a very small sum to spare to make up his family budget every year and if he is made to pay more for cloth, when we find that it is hard for people throughout the country to find cloth to cover their bodies, well, I submit that it will be another factor which will enhance the discontent that is already prevailing among the people. The people will know that what is not possible in any civilised country of the world is possible here under this Government, that the very necessities of life are being taxed, that an effort is being made I do not say that the effort is deliberate, but the effect of it cannot be ignored—that an effort is being made to penalise the industries of the country on the growth of which, I say emphatically, depends the future prosperity of this country. The Honourable the Finance Member says that last year it was 3½ and 11 per cent. and now it is 7½ and 15 per cent. so that the difference maintained is the same. Sir, I want the Honourable the Finance Member to remember that the men who are engaged in this industry have also to pay 15 per cent. instead of 11 per cent. on stores, sizing materials, dye-stuffs and all the other articles which they require for the purpose of their factories in India. The result of it will be to enhance the cost of production. So the enhanced 4 per cent. to the cotton excise duty in addition to the extra cost of production that will be entailed on the industry in the shape of 15 per cent. duty on other articles will also fall on and have to be borne by the consumer. I say, Sir, that to bring forward proposals of taxation of this character is to invite discontent among the people and to enhance it. To make proposals of this character is to discourage us in the hope that we had just begun to entertain, that after all the policy of the present Government will be at least to encourage the industrial growth of this country. To bring forward proposals of this character is to make it hard for the people of India to live in the ordinary sense of the word. I say, Sir, that it is not possible for this House to accept a proposal of this character asking for a tax on the production of cloth in this country. It is my misfortune to-day that I have to stand merely to oppose a proposal for enhancement. I wish it had been possible for me here to stand up and propose before this House that this cotton excise duty of 3½ per cent. should be removed. But I want the Government Members to know that, so long as this 3½ per cent. cotton excise duty remains, the people of India will continue to feel that the insult that has been given to them in the interest of Lancashire continues. Do not add to that insult. If the necessity for revenue does not permit us to abolish this 3½ per cent. cotton excise duty, I say for Heaven's sake do not bring forward a proposal to enhance it under any circumstances. The tendency of a proposal like this would be, if it is persisted in, to alienate, I am afraid, the sympathies of those friends who have just come to believe that the Government would do their utmost to help the industrial growth of this country. I appeal to the House and also to the Government Members to reject this proposal for enhancement.

**Mr. C. W. Rhodes** (Bengal : European) : Sir, during the whole of the cold weather I have had the privilege of travelling round the country with the Honourable Member who has just spoken. We have been travelling together through an infected area of economic fallacies; and I am very much afraid that my friend has succumbed to that terrible disease, '*malignant Fiscalitis.*' The symptoms are a rapid rise in temperature and an affection of the optic nerve which prevents the sufferer from seeing beyond his own front door to the India that lies beyond. Now, Sir, it may be the idea of the Honourable Member that I am rising in my place to resist his motion. I am not. (Hear, hear.) I am rising so that I can put my own position before the House and take the opinion of the House as to which way I should vote.

In order to avoid any misunderstanding, I may be permitted, Sir, to refer to the fact that I have on the paper an amendment suggesting that a corresponding reduction should be made in the duty on imported cloth. I think it will be obvious to everybody present that, if this reduction is carried by the

House, I wish the other reduction to be made, but, if not, I do not propose to proceed with my amendment. My point of view is that it should be both or neither.

My Honourable friend has gone into the history of the excise. I am not going to follow his example. This House is now robust enough to make up its own mind on the present issue and in accordance with what it believes to be right principles. My own position was made quite clear so long ago as August last when I spoke at the Rotary Club in Calcutta. I there formulated the view (which I noticed in another country was regarded as an entirely novel idea), that in all our considerations of this question the consumer should be our first interest. (Hear, hear.) As a merchant for 25 years in India I have had to study the wants of the consumer, and it has been borne in upon me that his interests stand first, certainly before any foreign country or even before the interests of any particular industry in this country. It may be necessary, and it is necessary, that the consumer should pay something towards the revenues of the country. But the principle, I think all will agree, should be that you should endeavour to see that every rupee you take out of the consumer's pocket you put into the Honourable Sir Malcolm's pocket. (Laughter.) There is another issue, Sir, which my Honourable friend has touched upon, and that is the industrial question. There my mouth is sealed by the fact that I am still on the Fiscal Commission and we are about to consider our unanimous report. But, Sir, my Honourable friend has referred to what is now public property, the evidence given in Bombay, and it is on the basis of that evidence I have proposed that my amendment should form the natural corollary of this. A leading Bombay mill-owner told us: 'I am in favour of raising taxation by tariffs. We have now an import duty of 11 per cent. on all cotton piece-goods. We have 3½ per cent. excise duty on Indian machine made cloth. If Government wanted more money I would raise the import duty to 14 per cent. and the excise duty to 6 per cent. The advantage of this would be indirect taxation on the consumer and a help to the handloom industry'. This was from a Bombay mill-owner, though it was not, I may say, representative of the general evidence we got. The general evidence we got was more on this line. Another leading mill-owner told us that the Bombay mill industry needed no further protection. The Bombay Mill Owners' Association asked for nothing more on ordinary cloth, and a distinguished Member of this House also told us that the present duty was sufficient. Well, then, Sir, I am in a little perplexity as to whether the difference should be based on 3½ per cent. and 11 per cent. or on the new proposals of the Government. But I am in no doubt whatever after hearing the Bombay evidence that the present difference should, in the interests of the consumer, be maintained. Mr. Jamnadas Dwarkadas has told us that only 15 per cent. of the population use imported cloth. Now I may say,—and I have had to make in the ordinary course of my business a very close examination of this subject,—that imported and locally manufactured cloths are interchangeable. Let me give you one instance which is common now amongst what I regard as the poorest of the poor in Bengal, I mean the educated Bengalee clerk. He was always accustomed to wear imported cloth. Social distinction and social status do not allow him to appear in public in cheap country-made cloth. Therefore, instead of buying, when prices rose, two pairs of imported dhoties, he buys one pair to wear out of doors, and another pair of country-made cloth which he wears, like the English clerk changing his coat when he gets home, at night in the privacy of his home. Now he is buying what hitherto the poor man bought. What is the natural effect on prices? So much less for the poor man, and as a result, prices rise. I might call as a witness on my behalf in this respect, Mr. Gandhi. When he started the boycott of foreign piece-goods, he implored the Bombay mills not to raise their prices. It was a futile and uneconomic appeal and one to which the Bombay mill-owners could not for a moment assent. They are trustees for their shareholders. They have got to sell their goods at market value. But, supposing they had listened to that appeal, who would have got the benefit? Certainly not the consumer, but the middleman, the shop-keeper and the man who peddles the goods from door to door, and the consumer would have been no better off. There was one occasion in which the Bombay mills did reduce the price of their cloth below the market value. 3½ years ago I had the privilege of going over from Bengal to Bombay and of asking them to do so in the interests of the poor of the Punjab, Bihar and Bengal, and without any Government pressure or Act of the Legislature, they agreed to give us standard cloth at a low rate. (Hear, hear.) But the difference in regard to standard cloth was that it went straight to the consumer through a Government shop, and in Bihar we had the utmost difficulty in preventing shop-keepers and others from trying to get hold of this cloth to profiteer, and we had to make very strict rules as to how many pairs or how many yards each person was to buy.

Personally, Sir, I deprecate this question of contest between England, Japan and the Bombay mills. Personally, I believe there is room for all, and for this reason. In 1913-14, the consumption of cloth in India per head was 18 yards. I never heard it said that in 1913 the people of India were over-clothed. In 1920, owing to the simultaneous rise in the price of imported and local cloth, the consumer bought only 10 yards. Now, Sir, was that due to the weather being exceptionally hot? Was it due to a change of fashion? Or was it due to the simple fact which Mr. Coubrough brought out in his book, which the Government of India published for the benefit of us all, that the people of India have only a certain amount of money to spend on cloth, and if they can buy 18 yards, they do; if they have to buy only 10 yards when prices are high, they put up with it.

Although I am in doubt as to whether to go both for this proposal and my own amendment or to go for neither, I must say I incline to cheaper cloth.

In Bengal, I know the suffering, the economic distress, the political unrest, the *hát* looting which has resulted from high prices, and I should like to see all here combine to do what they can to bring cheap cloth,—and I care not whether it is imported cloth or local cloth,—within the reach of the poor. Mr. Jamnadas Dwarkadas has twitted England with being a new convert to this principle. He cannot twit me with that, and I cannot be responsible for my friends any more than he can be responsible for his. The object of my rising now is to ascertain the feeling of the House. If the feeling of the House is to have this low level and to have it on both imported and locally made cloth for the benefit of the people, then I am with them. If it is only on one, it will produce no benefit to the people whatever and I am afraid I must vote against it.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): What does Sir Malcolm Hailey say with regard to that? It is of the utmost importance and interest to know that immediately.

**Mr. C. W. Rhodes:** But I would appeal to the Democratic Party in the interests of democracy (Hear, hear), to the National Party in the interests of the nation (Hear, hear), and to the Government in the interests of the people that they are supposed to, and actually do, protect. (Hear, hear.) I know that on these grounds it is useless to appeal to the Finance Member. To him I must appeal through his pocket. He probably has learnt something about the law of diminishing returns. In 1913, 18 yards per head, in 1920 owing to higher prices 10 yards per head. I do not think he is going to get a very much larger revenue by putting up the price of cloth. It is a necessity for the people, but it is one of those necessities that in a sense they are compelled to do without. Therefore, I think that if we can get a low level of cloth generally, it will be good for the people, it will be good for the mill industry and it will be good also for the Honourable the Finance Member.

**The Honourable Mr. C. A. Innes:** Sir, Mr. Rhodes, in the very eloquent speech which he has just made, made it with one eye upon his amendment which is to follow. I propose to leave that amendment alone until it comes up for consideration and to confine myself to the immediate issue which is before the House. That issue is this. Are we to increase the cotton excise duty from 3½ to 7½ per cent? Now, Sir, Mr. Jamnadas Dwarkadas is a very eloquent man. I am not. I am merely a plain, tonguetied bureaucrat. But, Sir, since Mr. Jamnadas Dwarkadas had to summon to his aid all the eloquence which he had at his command and had to appeal to our feelings about the long-standing sore of the excise duty and so on, it seemed to me that he had to employ every artifice of this kind because he knew the weakness of his own case. (*Mr. Jamnadas Dwarkadas*: 'Not at all.') I may explain, Sir, exactly how this problem presented itself to the Government of India. Our fiscal needs rendered it necessary that we should propose to this House that our general *ad valorem* rate should be raised from 11 per cent. to 15 per cent. If that proposal is accepted, it means that the rate of duty on imported piece-goods will be increased by 4 per cent. Now, Sir, if we increase the rate of duty on imported piece-goods by 4 per cent. and if we do not at the same time increase the rate of excise duty, we shall be doing no good to the consumer at all. It is perfectly true that Lancashire goods enter into competition with Indian made goods only to a very small extent. But it is a well known fact that even in that small extent of competition, they exercise an extremely important influence upon the course of the trade out here. They are a governing factor in prices. Prices of Indian made goods are invariably just below those of the imported goods, and I challenge anybody connected with the cotton trade to challenge that statement. Here is a diagram (showing a diagram to the Assembly). The sudden drop there shows the decrease in imported piece-goods into India in four years. The sharp upward line in

this other diagram shows the correspond ing increase in the profits made by the Indian Cotton mills. It is an absolute fact that it is the price of the imported price-goods that governs the price of Indian mill-made goods. I am quite prepared to accept the figures which Sir Vithaldas Thackersey so kindly gave us the other day. Sir Vithaldas Thackersey said that the present duties upon the production of cotton amounted to 11 per cent. and with the addition of 4 per cent. on the cotton excise he told us that they would amount to 15 per cent., and he said that that 15 per cent. would cost every consumer in India 10 annas per head per annum. This 4 per cent. increase in a cotton excise means that every consumer in India has to pay 2 annas 8 pies more for his cloth than he did before. But the point is this. If we raise the duty on imported piece-goods and do not raise it on cotton excise, the consumer will pay that 2 annas 8 pies all the same, but the money will go into the hands of the mills and not into the hands of the Exchequer. That is absolutely so.

Now, Sir, the House cannot have it both ways. When we were discussing the salt duty, everybody in this House was getting up and saying that we must not punish the poor man in this way. If we have this Rs. 2 crores of revenue which we expect to get from the increased cotton excise duty, that will at any rate go to relieve the poor man from increased taxation. Is there any necessity for us to give that 2 crores to the Indian cotton mills? I do not grudge the Indian cotton mills this prosperity for one moment. The Bombay cotton industry is an industry that we are all proud of and long may it continue to prosper? But, Sir, I do say that when our financial position is as it is at present, when it is a case whether we are to take 2 crores of revenue for the general tax payer or whether we are to hand it over to the cotton mills, then I say that the duty of this House is plain. Mr. Jamnadas Dwarkadas will not deny that the cotton mills have made very large profits out of the Indian consumer in the last few years. I have the figures here, but I will not read them out. I will just refer to what a gentleman, whose loss we all deplore, said at the 1921 meeting of the Bombay Millowners' Association. The late Mr. Rahimtulla Currimbhoy, in presiding over that meeting, estimated the profits of the Bombay cotton mills in 1920-21 at 16 crores. It is said that we take our share of these profits by means of income-tax. The total income-tax collected throughout India in 1920-21 and super-tax was only about 20 crores. It is perfectly certain, therefore, that we did not take anything like the share we might possibly have claimed out of that 16 crores. We have shown the way by which without doing this industry any harm at all, we can add to our impoverished Exchequer Rs. 2 crores.

I admit that it is a proposal which has come as a shock to India, because of the history of these cotton excise duties, but, now that I have explained it to the House, I am perfectly sure that the House will see that we were justified in making this proposal, and I am perfectly sure that this House, if it considers this question on its merits, will be very loath to let this money go.

**Rao Bahadur T. Rangachariar :** I admit the question is a very difficult one, and after bestowing considerable thought on the subject, being the first time this elected representative body with its own majority in a Legislative Assembly of this sort has to consider and give its decision on this much-vexed question, we have no hesitation in saying that this excise duty on cotton goods is vicious in principle and ought not to be encouraged by any representative of the people. (Hear, hear.) Having said that, the other question which Mr. Rhodes has put to us with the very illuminating facts and figures which he has quoted to us has to be considered. And may I be permitted to add, for the benefit of the Honourable Mr. Innes' information,—the pathetic fact which he drew our attention to, the boasted advance of the economic condition of the Indian ryot—is belied by the facts which are now brought out by Mr. Rhodes—that in a necessity of life such as cloth my countrymen have to abandon nearly half of the cloth which they were accustomed to use on account of the rise in prices, which shows the impoverished condition of the land. Those who say that India has grown richer, high prices have come into play, and the economic condition of the Indian ryot or the villager has become much better than it was, let them take note of this fact. Whatever theorists may say, here is a stubborn fact which faces us which no amount of theory—and even Mr. Rhodes' friends like Sir Montagu Webb, let them also take note of it—can refute. Here is a speaking fact which cannot make too deep an impression on our minds. It is hardly likely, especially the people living in Upper India, knowing as I do the climate of the country, that they would willingly part with cloth if they could spare it. They have been driven by dire necessity to abandon for their women, for their children, for their infant babies, this cloth, which is a necessity of life. Sir, that has made a deep impression on my mind to-day.

I was not aware of it, and I can assure Mr. Rhodes, as regards the other proposal which he has brought forward, borrowing the language again of my English friends, we will consider it with deep sympathy, and I may assure him that, Indians as we are, our sympathy is always turned into action. Therefore, after to-night's meeting of our Party, I will be able to assure my Honourable friend that his appeal has not been in vain. I do not give him an assurance—already my Honourable friend on my side warns me about it—but it made a deep impression and, if I can use my influence with my Party, my present inclination is to support Mr. Rhodes' counter proposal. For at whatever cost, we cannot increase the cost of cloth to the consumer. I know it will make a deeper cut into the ways and means of my Honourable friend, the Finance Member, but that is not our business. That is the view we take of our position. I do not make any secret of it. Speaking for myself, I make no secret of my position here to-day. Till you bring down the expenditure, we do not feel called upon to find the ways and means for this expenditure over which we have no control. We had control over the civil expenditure and we have tried our level best to bring it down to reasonable limits. We were not unreasonable. Our action in respect of the civil budget must have amply proved to the Government and to the wider public at large that we are not out for mere mischief. Certainly not. We are out for improving the Government and thereby improving the country. (Hear, hear.) Sir, speaking on this motion, I give my cordial support to what Mr. Jamnadas Dwarkadas has put forward.

**Maulvi Miyan Asjad-ul-lah** (Bhagalpur Division: Muhammadan): (The Honourable Member spoke in the Vernacular*.)

**Khan Bahadur Zahir-ud-din Ahmed** (Dacca Division: Muhammadan Rural) Sir, I support the amendment on the ground that the excise duty which has been raised on cotton piece-goods to 7½ per cent. and the import duty to 15 per cent. will only increase the nakedness in the country I do not move in the matter in the interest of Manchester and Lancashire nor in the interest of Bombay, but in the interest of the masses of the population. A human being cannot live without a dress. Any Honourable Member who would like to contradict me will kindly give an exhibition in this Hall how this can be done. I wait for a minute for the exhibition. (Pause.) The minute is now over and, as no Member has come forward to accept the challenge and give the exhibition, I take it for granted that I am right in my contention. The cheapest dress that the masses can have is the cotton piece-goods either from England or from Bombay, hence I am against the raising of the excise duty as well as against the import duty. A non-co-operator friend of mine came to my relief, when I was explaining to him the dearness of piece-goods, already, suggesting to me to dress in *khaddar* and when I pointed out that enough of *khaddar* cannot be procured, he replied, go on half ration in your dressing. I fell in with his views and I asked which way to do the halves, whether I am to let go my pant or the coat. I got only a sinister stare at me, but no reply. Neither, I believe, can I discard one leg of the pant and one half of the coat. The only alternative is to cheapen the clothing and that can only be done by removing the import duty and the excise duty or by curtailing both. I say the masses in India are in rags. No less a person than His Royal Highness the Prince of Wales will testify to it. What he saw in India was that the masses were in rags and this the Government should feel ashamed of. These import and excise duties are worse than the salt tax. A man can cut down his salt consumption, but he cannot cut down his dress further. I must say here that, unless this increase of import duty and that of the excise duty is cut down, people will go down from rags to almost nakedness. As one of the masses, I prefer the salt tax to both the import duty and excise duty on cotton piece-goods and as such I support the amendment. We desire to be a member and partner of the British Empire and we must take the same responsibility with the rest of the Empire. It is not right to try to have it both ways. If we are to enjoy the rights, we must also accept the responsibilities of a partner. This question must be looked at from both points of view and I would like that the Honourable Members will do so. With these words, I oppose both the excise as well as the import duty. If one is abolished, the other must be done away with also. In my opinion, the excise duty and the import duty ought to be equal and of the same percentage, though I am doubtful the Honourable non-official Members will not accept it. I say, it is only just. If the capitalist

* The original speech, together with a translation, will be published in a later issue of these Debates.

of my country will only desire to be too rich at the cost of the poor, they should remember that they are only encouraging Bolshevism in the land.

**Sir Vithaldas D. Thackersey** (Bombay Millowners Association: Indian Commerce): Mr. President, I do not wish to go into the arguments whether this tax falls upon the mill-owners or on the consumers, because I have already expressed my opinion during the Budget discussion. I will therefore confine myself to meeting the arguments of the several Members who have supported the increased excise duty. I will first refer to the points raised by my Honourable friend, Mr. Rhodes, the representative of the Bengal Chamber of Commerce. Mr. Rhodes, as an advocate of the poor consumer, has maintained that increase in the import duty should be accompanied by the countervailing excise duty Now so far as the import duty is concerned, Sir, the mill-owners have never asked that an import duty should be levied or increased when it was increased. In my evidence before the Fiscal Commission I made that point very clear, and I gave clearly my opinion that so far as the cotton industry was concerned, we did not need any protection. The only difference of opinion on this point arises when you say that if for revenue purposes import duty is increased, it should be accompanied by a countervailing excise duty. The mill-owners strongly protest against this principle. Does Mr. Rhodes suggest that if the increase in the import duty had not been levied, the proposal of raising the excise would have been raised? Well, Sir, Mr. Rhodes is very anxious about the cost of cloth to the poor. As I have previously explained, most of the cloth used by the poor is the Indian-made cloth and that cloth does not compete with Lancashire and has absolutely no relation to the Lancashire prices. Sir, the Honourable Mr. Innes showed us a chart. I am not quite convinced unless I examine that chart. There were special reasons in 1920. Owing to war we know imports were largely cut off and the chart in 1920 is no criterion to base our arguments upon. Sir, he said that the profits of the Indian Mills were 16 crores of rupees according to the speech of our late lamented friend, Mr. Rahimtullah. What was the reason for this? I have said, Sir, it was again the conditions arising owing to the war. Here in my hand I hold a list of Bombay cotton mills from which I can show what dividends were given from 1915 to 1921. I can hand over this statement to the Honourable Mr. Innes or any Honourable Member who wants to enlighten himself on this point. You will find that dividends in 1915 varied from 5 per cent. to 14 per cent. and in rare case above that. In 1916, there was a slight increase in the dividends owing to war conditions. During the last two or three years, owing to the conditions of the war, no new machinery could be imported from England and the mill-owners got the benefit along with others. Every one who had an interest in an industrial concern in India got the benefit. Now look at the jute mills. In 1915, they gave 140 per cent., 190 per cent., 215 per cent. and in one case 400 per cent. If you want to tax production, why not tax jute. If you want to tax production, you must tax all kinds of production, and not confine yourself to countervailing cotton excise duty. Then, again, the Honourable Mr. Innes said that if cotton excise be not increased by 4 per cent., the advantage would go to the mill-owners. In short, he maintained that those who were engaged in the industries of India and those whose interest was to develop the industries of India should not get extra profit. Sir, if you take that argument to its logical conclusion, he might as well suggest that if the imported goods came in free of duty, the Indian mills cannot make any money and the consumers would receive the cloth cheap.

Such an argument from a responsible Member of Government can only be used in India. Can such an argument be used by any Member of Government in a Self-Governing Colony or in Japan or in Germany,—nay, even in England? To say that Indians will make money if we give them the advantage of an import duty and that that advantage should be stopped is an argument which in no case will this House and the representatives of the people accede to. (Hear, hear.) Then, Sir, the only other plausible argument used is that the Government is in urgent need of money, and that therefore this tax, although it may be unsound economically, should be levied. Sir, that argument has been used in a different way also by my Honourable friend, Sir Montagu Webb and others. They say: We must make our revenue balance the expenditure. It is a vicious circle; if Government is obliged to issue more paper money, the prices will rise, and then the expenditure will rise further. Well, Sir, this argument has been met by my Honourable friend, Mr. Rangachariar. It is a case of a prodigal son spending away all his money and father giving him more and more until the son is spoilt and the father is insolvent. (Laughter.) What we say is: the country should spend only as much as it can afford, and if you are spending unnecessarily Rs. 20 crores more for

military expenditure, it is not for this House to give you the Rs. 20 crores so that you may be able to spend more with ease. After all Sir, we do not wish, at least I do not wish, and those who agree with me do not wish, that we should put Government into any financial difficulty, because financial difficulty of Government is also harmful to the country. Now let me put before you the correct position. Sir, Government has shown a deficit of Rs. 2¼ crores. Is the deficit a correct one? The interest received on the investment of your Paper Currency to the extent of Rs. 3 crores ought to be credited to revenue. To that extent the deficit disappears. Have you not made 3 crores of rupees by coining silver into rupees, and the interest on your Gold Standard Reserve,—the whole thing amounts to about Rs. 3 crores,—3 crores over £40 million which according to the Finance Member was a sum which ought to be retained in the Gold Standard Reserve, the excess being credited to the Paper Currency Reserve? That is a profit and may be considered as revenue. Thus, you get 3 crores as a surplus. Then, Sir, our friend, the Honourable Sir Malcolm, has said that Rs. 1 crore 17 lakhs is the amount paid in annuities as a portion of the capital expenditure and he has used a very ingenious argument that it is a sinking fund. Now, Sir, let me take this House for a couple of minutes to show that the argument has no value at all. Suppose the amount of purchase price is 40 crores. Instead of paying 40 crores of rupees in cash when you purchased the Railways and took possession of them, suppose you entered into an arrangement with the shareholders of the Railways that the purchase price was to be paid in instalments of one crore of rupees for 40 years *plus* interest during the time on one crore of rupees,—are you not paying every year one crore of rupees as your capital? What difference does this make,—whether you pay 40 crores in cash, or one crore every year for 40 years? I daresay the accounting is wrong. This point was raised by me in 1911 or 1912 in the Imperial Legislative Council. At that time the whole amount, including interest, was about £600,000, Rs. 90 lakhs, and it was argued that the amount for capital expenditure was so small that the arrangement may not be disturbed, and that when the amount got bigger, it may be reconsidered. It has grown to 5 crores from 90 lakhs, and in that way you will be debiting more and more to revenue every year. I say the entry is wrong and must be taken to capital expenditure; thus you get a surplus of 4½ crores of rupees. Add to it one crore of rupees reduced in demand grants. That means a surplus of 5½ crores of rupees. Now, are we not justified, is the House not justified, in leaving Government to work with a deficit of at least 5 crores by refusing to grant taxation up to that amount and thus compelling Government to reduce the military expenditure? We do not wish Government to be put into a difficult position. At the same time, we wish that we should reduce their resources in order that they may think about reducing the military expenditure; I think, therefore, that this House will be perfectly justified in throwing out new taxation to the tune of ten crores of rupees in order that the results I have suggested may be arrived at.

**Sir Montagu Webb:** Sir, I find myself in an extremely difficult position, for, whilst I stand here as a Member of this Assembly endeavouring to the best of my ability to assist in making both sides of the Budget balance, the moment that I pass out of these doors I become a Member of the Fiscal Commission, who are giving their impartial and unbiassed consideration to the problem of excise duties, tariffs and so forth. I confess I was under the impression that my friend, Mr. Jamnadas Dwarkadas, who is also a Member of the Fiscal Commission, was in a somewhat similar difficulty. But, after hearing the remarks that have fallen from him this afternoon, I am beginning to suspect that he has a leaning in the direction of the abolition of the excise duties! Now I want to put it to this House that, so long as the Fiscal Commission is sitting, studying the fiscal problem—the type of tariff most suitable for the development of this country,—I put it to this House that it would be very improper for a decision to be arrived at which would prejudice the findings of the Tariff Commission. (*Mr. S C. Shahani*: 'How can it?') It can in this way. If this House declines to advance the excise duties, whilst at the same time increasing the import tariff, then there is a disturbance in the tariff arrangements which plainly indicates a pre-judging of the fiscal problem. Now, I submit to this House that the findings of the Fiscal Commission (I hope and believe that a unanimous report will be forthcoming) will be arrived at in the course of a few weeks. Therefore, if this House postpones its decision until the month of September, it will be acting in the correct way. I am not suggesting that this House should necessarily accede to the increase of excise duties, I put it this way, that if this House decides not to accede to an increase in the excise, then, because of the argument which I have just used this House must not accede to an increase in the import tariff on cotton goods

I put it to the Democratic Party that it is not a matter for further consideration ; it is a matter for decision now. If the Fiscal Commission are not to be put in a position of extreme difficulty, I submit that this House should maintain the relation between the excise and the tariff for the time being undisturbed (*Mr. Shahani* : 'Not necessarily.')

Now, my Honourable friend, Mr. Rangachariar, said that the decreased consumption of cloth necessarily implied the impoverishment of this country. I do not think that it necessarily implies that. I can tell the Honourable Member that, two years ago, when I went into my tailor's shop in London, he asked me exactly three times the price which I had been accustomed to pay for my ordinary clothes. My reply was : 'I am not going to buy clothes while your prices remain at this ridiculously high figure.' It may be that the decrease in consumption of cloth by the Indian community may be an answer of somewhat the same character to our friends, the Bombay mill-owners, owing to the high prices of Indian-made cloth.

I think I have made my position quite clear to this House. It seems to me that with the Fiscal Commission sitting, the relation between the excise duty and the import tariff must not be disturbed; and if this House votes against the proposal to increase the excise, it must also vote against the proposal to increase the tariff on cotton goods.

There is one little point upon which I feel some difficulty. I have before me here a time-table. On it I see that at 11 o'clock this morning there was a deficit on the Budget of about two crores. At 1-15 the deficit on the Budget was six crores fifty lakhs. At the rate we are going on, by about 4 o'clock the deficit on the Budget will be quite ten crores. Now, it is essential that some means be found for avoiding this terrible deficit. I hope, therefore, that if I and those who think with me give our support to this proposal to reduce the excise, my Honourable friends behind me, the National Party, and also the Members of the Democratic Party will find some other means of making good the consequent very grave deficiency in the Budget.

**Sir P. S. Sivaswamy Aiyer:** I wish to ask the Honourable the Finance Member for some information. I wish to know whether in England any excise duty or countervailing excise duty is levied upon any home manufactures, apart from liquor and things of that kind?

**The Honourable Sir Malcolm Hailey:** Not as far as I know.

**Mr. S. C. Shahani:** Sir, I rise to support the amendment that has been moved by my Honourable friend, Mr. Jamnadas Dwarkadas.

**Mr. Jamnadas Dwarkadas:** There is no amendment. I only opposed.

**Mr. S. C. Shahani:** I rise to support the view of Mr. Jamnadas. I am afraid that the bait that has been thrown towards the House by my Honourable friend, Mr Rhodes, may come to be swallowed by some. He has suggested that the consumer of cloth has suffered from high prices, and that therefore you should either not impose the proposed import duty of 15 per cent. or consent to the raising of the excise duty from 3½ per cent. to 7½ per cent. I submit that the cotton industry in India should in no circumstances be discouraged. It is true that the Ahmedabad mill-owners are clearing large profits. (*Mr. C. W. Rhodes* : 'How much?') It is said that they have cleared last year 16 crores of rupees, and figures have been placed before us by Sir Vithaldas Thackersey which show that the highest dividend declared has been about 36 per cent. (*Sir Montagu Webb* : '360 per cent., I think.') Assuming for a moment that they have during the last three years been realising large profits, I say quite frankly that that money remains in the country and will be invested in Indian industries, and that even by this arrangement India distinctly benefits. To seek to accustom the consumer to foreign cloth is, I think, to embark upon an economic policy of a very dangerous character. If for some time the consumer has to give up the use of cloth because he cannot afford to buy it, let him do so. He is sure to benefit ultimately by home manufactured cloth. If cotton is produced and manufactured in India, it will without doubt ultimately be to the benefit of Indians. No one can deny the advantage of a home cotton industry in India. To say that the consumer should at all costs be forthwith provided with cheaper cloth is to suggest a course which will be calculated to do permanent injury to India. I trust that my friends will realise the situation and set their foot on any proposal of this kind.

I want to point out that my Honourable friend, Mr. Jamnadas Dwarkadas, was perfectly right in saying that an excise duty is not levied anywhere else, and that if it is levied in Japan, it is for the purpose of revenue and is counterbalanced by a very large export duty and is refunded when the Japan-manufactured cloth is exported. In these circumstances, to propose an excise

duty on home-manufactured cloth is to do a distinct dis-service to India. The mill-owners of Bombay may be earning large surplus profits; but that can only go on for a short time. Competition is sure to set in as soon as it is realised that large profits are being made by those manufacturing cloth in India My Honourable friend Sir Vithaldas Thackersey, came forward to say that the mill-owners had not proposed an import duty. It may be true that they have not done so; but I do not understand why if it came to their doing so, they should be ashamed of proposing it. If the Indian is ever to become accustomed to wearing home manufactured cloth, then I say it is a move in the right direction to propose an import duty such as has been proposed. I have no doubt that the duty has been proposed for revenue purposes, and I am not in any manner anxious that the House should prejudge the question of free trade *versus* protection. But I submit that the House should just at present take such action as commends itself to it, and then await the decision of the Fiscal-Commission for future action.

**The Honourable Sir Malcolm Hailey**: Sir, if I have to speak this afternoon in the character of the prodigal son addressing an impoverished and incensed parent, it is because that character has been assigned to me by one of my friends opposite and not because I recognise myself in that character. Nor, Sir, if I still have to support this 'tax on Home-made products,' is it because I myself wish, in the words of my Honourable friend behind me, 'to anglicise the Indian.' Indeed, if I am not mistaken, I myself happen to be wearing on this warm afternoon some of those despised Swadeshi products (Applause), whereas I notice that some of the strong advocates of Swadeshi products are themselves clothed in foreign cloth. But let that be, Sir.

Now, Sir, I was told by Mr. Rangachariar that it was not his business or that of his party to balance our Budget. I notice, however, that behind him is a business man who realised that after all it was somebody's business to balance the Budget, and I propose to take up at once the suggestions which Sir Vithaldas Thackersey placed before the House for getting over our present difficulties, because after all he seems to realise that on every ground we ought to close the deficit. We ourselves reluctantly put forward an uncovered deficit of 2¾ crores. He proceeds at once to turn that into a surplus by about a quarter of a crore by utilising the interest on the Gold Standard Reserve. (*A Voice*: 'Paper Currency Reserve.') If you prefer, then I will take the Paper Currency Reserve first, the interest on which amounts to 303 lakhs. The House will subsequently have an opportunity of debating the question of the interest on the Paper Currency Reserve, after hearing what we have to say as to the possible implication of the action which Sir Vithaldas Thackersey proposes to take; but at the present moment, and purely as an assumption, I will give him the benefit of those 3 crores, and he will then have his surplus of a quarter of a crore Next, he proposes to give us a surplus of 3¼ crores by utilising the interest on the Gold Standard Reserve, which is another three crores. And this proposal, Sir, comes from Sir Vithaldas Thackersey! I remember that in September, 1920, when I proposed that we should utilise the interest of the Gold Standard Reserve for a far different purpose, *viz.*, cancelling our self-created securities, a proposal which would after all by the process of deflating money tend to strengthen exchange, and was of course to that extent consonant with the purpose for which the Gold Standard Reserve was created,—when we made that proposal, many of Sir Vithaldas Thackersey's friends in Bombay disapproved of our attempting to place a limit to the accretion of the Gold Standard Reserve. (*Sir Vithaldas Thackersey*: 'It was carried out still in spite of opposition.') I remember, Sir, the criticisms, the very grave criticisms that were directed from Bombay and elsewhere against Government when some years ago, as the result of a Committee which, I think, had the support of no less distinguished an authority than Sir David Barbour, Government utilised the interest on its Gold Standard Reserve for Railway Capital expenditure. I forget for the moment whether Sir Vithaldas Thackersey was among the critics; I rather suspect that he was, and now he is proposing not merely that we should set a limit on the accretions of the Gold Standard Reserve, not only that, but that we should use its interest to assist our revenues (*Sir Vithaldas Thackersey*: 'Temporarily'.) I fear, Sir, that by that one word the Honourable Member has really abandoned the principle he advocated. For I doubt if, when the day of repayment comes, Sir Vithaldas Thackersey will be strong enough to hold to the word 'temporarily'; he will then say 'permanently' and I am not sure that he will have many friends among the financial thinkers of this country if he once takes up that attitude. I am not, therefore, for my present purpose, prepared to allow him that 3 crores as a means of giving him his expected surplus of 3¼ crores. I am saying only so much for the present, since we would have a subsequent opportunity of discussing the matter. His surplus then still stands at ¼ crore.

Then, Sir, he is going to take further assistance by debiting to Capital instead of Revenue the Rs. 1,17,00,000 which we are due to pay as annuities for our Railways. He says this is unsound accounting. Is it, Sir, unsound accounting to take to our revenues every year, what is practically a sinking fund. for payment of a loan? Where does the principle differ in any way from the sinking fund on our ordinary loans?

**Sir Vithaldas D. Thackersey:** I wish to correct this one point. If there is no sinking fund for 575 crores of rupees spent on railways, why should there be for 40 crores? You never have a sinking fund for that?

**The Honourable Sir Malcolm Hailey:** We have no sinking fund for our 3½ per cents.. but for shorter term loans we have sinking funds, and I put it to any commercial man here whether payments of that nature are not rightly met from Revenue as a matter of proper accounting. I cannot for present purposes give him that 117 lakhs and he still stands at a quarter crore surplus. But he is going to raise that quarter surplus to 5¼ by reducing Military expenditure by five crores. We heard Sir Sivaswami Aiyer this morning on that subject He went through the whole of our Military estimates with the most minute care, and thought he could realise a reduction of 560 lakhs. Now, Sir, in doing so, he had to indulge in such dangerous expedients as reducing largely the number of medical officers in the Army; he had to cut out a very large quantity of mechanical transport; he had even to indulge in the somewhat infructuous expedient of cutting off 20 lakhs of rupees which we incur by way of expenditure on Aden which, as it happens, the Home Government repays to us. Omitted to notice that if economies can be effected, it would be difficult to give them such immediate effect as to benefit the Budget in the present year. However, let us suppose purely for sake of argument that the Assembly is successful in realising its ambition, and that by leaving before us the continual night-mare and the standing spectre of an uncovered deficit, it can force us to effect that reduction of five crores. Then, I agree, Sir Vithaldas Thackersey's surplus would, as a matter of fact, stand at about 5¼ crores. But his 5¼ crores, as far as I can see, is going to do a most portentous amount of work for him and his friends.

On the strength of that you are going to refuse a tax on salt; on the strength of that you are going to refuse to raise the cotton excise; on the strength of that you are going to refuse the tax on machinery; you are going to refuse the tax on kerosene; you are going to refuse the tax on matches. (Cries of 'No, no.') I am glad to hear that; and I shall hold the House to that; you are going to refuse to raise postal rates (Cries of 'no' and 'not necessarily'). I should be glad to have had a more unanimous reply. (*A Voice*: 'You are drawing us.') You are going to refuse to tax sugar (Cries of 'no', 'no' and laughter). I am glad to see something that is saved from the wreck; but in any case you are not going to make that Rs. 5¼ crores surplus of Sir Vithaldas Thackersey's, like charity, cover the deficit your operations portend.

I must return to the main subject in hand, because I realise that in indulging in counter-arguments to what Sir Vithaldas Thackersey put forward, I am to some slight extent departing from it. If I address the House again after what Mr. Innes has said on the subject of the cotton excise duty, I must do so with the indulgence of the House; for, Sir, the days are past when Members of the Government can come down to the House with carefully studied pronouncements on matters of this primary importance. I shall have to say simply what is in my mind on the subject and in no set terms. How was it that we came to propose this cotton excise duty? Far be it from me to go into the whole history again. The history of the case has been raised against us to-day, I think, mainly because the speaker hoped that by reviving the recollections of a contentious but a distant past he could cover up a weak point in his case as the matter stands at present. But it is only right that I should make clear what factors were present in the mind of the Government when it discussed this question. In 1894 it was proposed for revenue purposes to put on a general import duty. At once there arose—and I admit it—a demand for a countervailing duty on piece-goods; the demand came from England, and was supported on two grounds: first on the ground that a countervailing duty was required in the interest of English manufacturers, and, secondly, on the pure doctrine of free trade. It was universally opposed here. There were members of Government who were equally opposed to it. But what were the conditions then? The Indian cotton industry was at the time neither fully developed or even firmly established, and it could at the time be fairly represented by the industry that it would constitute an injury to its development if a countervailing duty were placed on it. Well, Sir, it is true that at the time the members of the Government equally with non-official Members spoke against that proposal, and it was only carried—I admit the fact

again—under strong pressure from Home (*Dr. Gour*: 'Instructions from Home') 'Strong pressure from Home' are the words I used. Subsequently, we increased the general duty to 7½ per cent. and we did not increase the cotton excise duty. (*A Voice*: 'What did Lord Hardinge say?') Both Lord Hardinge and Sir William Meyer gave expression to a sentiment which I still feel, and my colleagues I am sure still feel, that the cotton excise duty in itself *quâ* countervailing duty was undesirable and that it ought ultimately to be removed. But to continue. Last year we increased the general import duty to 11 per cent. and still we did not increase the cotton excise duty. Now, you may ask why in face of those facts, in face of the history of the case in the past and of our own recent declarations, we have taken this step, and taken it just at the very minute that India seemed to have gained a promise of fiscal autonomy, when indeed she could quote the convention that the British Parliament would not interfere with her fiscal liberty in certain defined circumstances. How was it that a government presided over by a Governor General whose motto has been justice in India and justice for India, a Governor General who has spared no pains to put forward the views of his government in regard to the claims of one large section of Indian public opinion (Hear, hear), how was it that a government which contained three Indian members on its Executive Council, came to put into its Budget a proposal for an increase in the Indian excise duties? I have spoken of the Indian Members of Government; I will say nothing of the remaining members of our Council I must leave their reputation in the hands of their Colleagues and those who know their record. But how was it that such a government came to put this 'dangerous and detrimental and reactionary' proposal forward? I use terms, Sir, which have been given to me by others—I myself, as the House might notice, never seek to use epithets of this ornate nature. I believe myself that they are generally used only either to impress Government or to hearten supporters throughout the country; and as I have no need to impress Government and as I do not expect, alas! to find supporters throughout the country, and as my case is so good as a general rule that it needs no epithets at all, I do net use them. Now, Sir, we fully admit that India has a right to its fiscal independence subject to the terms laid down in the convention so often referred to. We realise that our conduct in regard to the Bombay and Ahmedabad mill-owners must be one of caution. They have given us great support throughout the war in subscribing to our loans, temporary and permanent; it would be short-sighted policy on our part to alienate them. Allusion has to-day been made to the profits made by them, and if I refer to these profits it is only to correct certain figures which have been quoted. I can do so freely; they are business men and they have no need to fear facts. The profits that they have made are not limited to the maximum quoted by Mr. Shahani; their dividends in some cases have gone up to 200 per cent.; but they have earned these in fair trade and no one need grudge a business man the profits earned by industry and enterprise. We least of all can grudge them, when we see that they have such confidence in Government that they put larger portions of their profits in our State loans.

I have had to repudiate before the suggestion—and I think the House has accepted what I said then that in putting forward a proposal to raise the cotton excise duty we were under stress of any pressure from outside or that we had any desire to assist outside traders or manufacturers. I was twitted the other day because our ideas on the subject happened to coincide with the ideas of Manchester, and I was asked why it was that Manchester happened to be jubilant over our proposals. Well, Sir, it would be a bad world indeed, if we were to refrain in private life from taking any action which we believe to be right and profitable to ourselves merely because it happens to suit somebody else. We stood the racket of opposition from Lancashire when we raised the general import duty to 7½ per cent.; we stood it when we raised the duty to 11 per cent., and we were perfectly prepared to stand the racket now. It was not fear of Lancashire which made us propose to raise the cotton excise when we proposed to raise the general duty to 15 per cent., nor must it be taken as a proof that we desired to help Lancashire because our revenue interests happened to coincide with their ideas. Let me quote the House a parallel. An English Prime Minister came into office on the platform that Germany should be made to pay for the war. Subsequently it was found that Germany could not pay the whole of the reparations demanded of her. A more cautious policy was indicated. Now, Sir, if the English Prime Minister holds, owing to the force of circumstances, that the reparation programme should be modified that does happen to suit Germany no doubt,—but does he become pro-German because he advises a policy of moderation? Do we become supporters of Manchester merely because owing to stress of circumstaces we propose to make money by raising the cotton excise duty? We sought to raise money from this particular source because we recognised that first of all the present circumstances were not in any way parallel to those of

1894. That the cotton industry needs no protection at all has been admitted by the industry itself. Secondly, we thought that the country would admit that, as long as there continued a wide gap between our import duty and the excise duty, the excise duty could no longer be described as in any sense countervailing, and we believed that the public of India would realise that our excise duty even with the proposed increase was not of a countervailing nature.

Then, Sir, the Fiscal Commission is sitting and, as Sir Montagu Webb has justly said, we were bound, as far as possible, to keep the relation between the two duties the same as it was before. That was a strong argument, so strong that we felt it to be almost decisive. And finally, we had to satisfy ourselves whether as a matter of fact we should be doing any harm to the consumer if we placed this addition on the cotton excise duty, or any good to him if we omitted to raise it. I have listened to many speeches this afternoon, I had of course expected, after the attitude that we had taken up on the 8th March and elsewhere, to hear the most triumphant refutation of that position; I was waiting to learn that the prices of manufactured cloth in India did not depend to any extent on imported cloth. When Mr. Jamnadas came to that point, his voice failed; full of confidence in other respects he now evinced a tell-tale hesitation, and contented himself with simply denying that the fact was as we had stated. He gave us no proof at all. Mr. Rhodes gave us actual proof to the contrary. Sir Vithaldas Thackersey, from whom I expected with all his vast experience of Bombay the clearest proof that we were wrong, began by saying that he intended to avoid any argument whether the duty falls on the mill-owner or on the poor.

**Sir Vithaldas D. Thackersey:** Because I have explained the whole position in my Budget speech.

**The Honourable Sir Malcolm Hailey:** I think that the figures given to the House by Mr. Innes on that point are very convincing. As a matter of fact, India produces only about 40 per cent. of the cloth it consumes, and it is consequently out of place to speak here of the competition amongst Indian mill-owners as being likely to bring internal prices down. I think it stands to reason that the internal competition cannot be sufficient to regulate prices, that they must depend upon some other factor. What is that factor? I agree that a large quantity of imported cloth does not compete with the Indian mill-made cloth, but there is a meeting point. There are about 40 million yards which do so compete, and very naturally it is the price of that competition margin which determines the price either to the mill-owner or, as Mr. Rhodes pointed out, to the middleman, for even if the mill-owner with personal self-sacrifice—I do not say that he is incapable of such self-sacrifice (Hear, hear)—or acting against the interests of his shareholders—and I doubt whether he is capable of that (Laughter),—if the mill-owner does reduce his price, you may be pretty sure that the middleman will not do so. And so, somehow or other—whether it is the mill-owner who will get the advantage—I would rather he got it,—or whether it is the middleman who gets it, though I do not want him to get it,—it is anyhow clear that the consumer will not get it. The Council will perhaps be interested to hear the voice of a recent authority on this matter:

> 'The extent of imports of a competitive nature into India bears only a small percentage to the total consumption, but this small percentage has a very important bearing on the Indian piece-goods trade. It may in fact be held to be the governing factor in prices. The rise, therefore, in the cost of Lancashire goods reacted on India in the sense of not only causing a very heavy fall in the quantity of imported goods, but of enabling a very large increase in price to be charged by the Indian mills for goods which they produce.'

Well, we are discussing economics this afternoon. Surely, it is a principle of economics that the price is decided mainly by the portion of the total product which comes into competition. Will any one here really deny the proposition that we have laid before the House, that if we raised our general import duty from 11 to 15 per cent. and we left the cotton excise at 3½, then there would be an additional 4 per cent. to go to the benefit either of the Indian manufacturer or the Indian middleman. We might as well have it, for the general benefit. Sir Vithaldas said that nowhere in the world except in India could that proposition be made. Well, Sir, I do not care whether in other countries they have not the commonsense to take for the benefit of the State profits which the manufacturer does not require and the taking of which will not hurt the consumer. The Bombay mill-owners say they do not want it, the four per cent. They repudiate Mr. Shahani's suggestion that the general import duty should be raised. For protection purposes they have told the public so a dozen times. Their friends have told us so to-day. It is a windfall from the Gods, and they do not want it. Then who is to have it, since the consumer will in any case not get it? The voice of commonsense naturally replies, that the State should have it and not the middleman.

**Mr. S. C. Shahani:** They can have it only for a short time.

**The Honourable Sir Malcolm Hailey:** The Fiscal Commission is sitting, and will no doubt before long give us something much better in the way of a consumption tax than we have got. I will admit all the theoretical arguments against cotton duty. I admit that it has an unhappy history. I admit that in itself it is not a good tax, because it is a tax on production and not on profits. But I say, let us have this tax if it is only for six months until the Fiscal Commission can give us a scientific re-adjustment which will give us money without reproducing the undesirable incidence as the present tax. (*A Voice:* 'Have it then'.) We want it now. I have been asked to-day, how, in view of what has happened in the past, can you expect Indians to vote for this tax? Well, Sir, I have sufficient confidence in the commonsense of Indians to believe that they are capable of voting by the light of reason, and not at the dictates of unthinking people with whom they may come in contact (Laughter); I believe them capable of voting a sound proposition which would bring Government the money it requires when this can be done without injuring the consumer, instead of allowing it to pass into the pockets of manufacturers who have told us that they do not want it, or of middlemen who do not deserve it. I appeal therefore to this House to put aside from its mind the contentious history of the past and to take to-day a sound and business-like view of this question.

**Mr. Manmohandas Ramji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, before I begin, I quite appreciate the suggestion made by my Honourable friend, Mr. Rhodes, on the ground that the cost of cloth will rise if the duty is increased on imported as well as the locally manufactured cloth. So far I am in agreement with Mr. Rhodes. But I strongly object to the condition that he has made, the condition that he was bold enough to put forward, namely, that we are willing to agree not to increase the excise duty of 4 per cent. if the proposed 4 per cent. increase on the imported cloth is taken out. I cannot understand, Sir, why this condition ought to be there. Both the things are on quite different lines. Several arguments have been put forward why this 4 per cent. is made common to both. I cannot follow those arguments at all. It is very easy and very simple to say that because we increase the duty on imported piece-goods by 4 per cent., we are justified in increasing by a similar amount the duty on locally made cloth. But I think the proposers of this arrangement are alive to the exact working of that proposal. I think they have gone into the figures, and they have found out that this proposal of 4 per cent. is very good from their point of view. Let us take the actual effect. The actual effect is that while the import duties on foreign cloth are proposed to be increased from 11 to 15 per cent., that is, 36 per cent., the excise duty is proposed to be increased from 3½ to 7½ per cent. or by 114 per cent. Is that sound? Does that correspond to the increase in the case of the imported cloth? Nothing of the kind.

Then, again, Sir, it has been pointed out that even taking this 4 per cent as put forward by them, it may go to the pockets of the mill-owners. I do not know whether the proposers of that argument really know that in Bombay at least, of which I know, there is hardly a mill or two which is owned by individuals. All the others are owned by shareholders, and the so-called mill-owner is simply working as Secretary or Agent who gets his commission. He does not get more if there are very big and heavy profits. Not much. But there are other reasons why this proposal is inequitable. If we go into the figures, the present year's proposals to increase taxes will affect the mills. In the first place, the mills, in order to produce their cloth, will have to buy imported stores. I have got in my hands the figures for a mill in Bombay. It paid Rs. 88,000 per annum as duty on store purchases for producing the cloth, and now, under the new proposal, it will have to pay Rs. 1,20,000. That is with reference to one mill. In income-tax, the mill which had to pay on its profits of the last year Rs. 7,29,000 will have to pay under the proposal for increased taxation in the Income-tax Department, Rs. 7,99,000. There also it will have to pay more. Then, again, in excise duty that particular mill will have to pay against Rs. 4,96,000, Rs. 10,63,000. The whole point is that this 4 per cent. is quite misleading. There is a feeling that we should increase correspondingly the duty on the Indian production, but then we are putting a heavier duty on the Indian production than we are proposing to put on the imported goods. There is no analogy between the two. Each case must stand on its own merits. On the one hand, the whole country is crying for protection. The mill-owners do not say that they want more protection because the industry can stand on its own legs. Even if the mill industry has an advantage by protection, how will that work? It will work to increase more its working capacity. All the profits that they make will go towards the increasing of the output, and within a short time the whole thing will

be helping to produce more. Is this wrong principle, Sir? Take another point. How is it that this particular 4 per cent. is proposed to be placed on the production of cloth only? If more revenue is wanted, and I do admit that the revenue is wanted, why not equalise it and distribute it on all the productions of the different industries? I cannot understand why this particular industry is selected for it. There are jute mills, there are oil mills, there are flour mills, and there are so many industries. There is the woollen industry, the paper mill industry and other industries. There are 101 industries in India which are making profts. If you want to raise a tax from industries, let the tax be equally distributed on all industries and not on a particular industry. It has been pointed out that Rs. 16 crores was the profit of the mills in Bombay. Quite right. May I ask, Sir, what was the profit of the Lancashire mills during that period? It was simply a windfall to India, because no goods from Lancashire came for five years owing to the war. Therefore there was greater demand. But on that account you want to penalise this industry because they have earned more. They have earned more. Very well. But you have taken more taxes in the shape of other taxation. If you want still more, if you want to raise a tax from your industries, equalise it and do not penalise one industry, because it has any chance of competing with Lancashire of which there is no existence Indian mills do not compete with Lancashire. There is no competition at all We have reason to believe that Government are perhaps afraid of any competition with Lancashire. In order to silence everybody, perhaps this four per cent. has been equally distributed On these grounds, Sir, I say that this proposal is not equitable, is not just Sir Montagu Webb asked us to wait for a few months till the Fiscal Commission issues its report He also said that that report will be perhaps unanimous and asked us to do nothing, to neither increase the import duty nor the excise duty. I cannot understand why we should do this. If there is a deficit, if money is wanted, it must be provided for, and this is the time for making such provision. Then, why are we asked to wait for a long time? Is it wise for us to come in the middle of the year or at the fag end of the year and say: 'The Fiscal Commission's report is published. Now we have decided our policy and therefore we are going to tax this way and that way.' I think that is not a sound proposition.

Again, Sir Malcolm Hailey said that the four per cent., will go to the mill-owner and will not reach the consumer, and therefore it had better go to the Government in these stringent times of deficit. (*The Honourable Sir Malcolm Hailey*: 'I said mill-owner or middleman.') Of course, I take his word that he meant that it would go to the middleman. Whatever it may be, I say that, if increases are found by the consumer, the reductions ultimately go to his benefit. It is no use saying that this is a small percentage, and therefore it may not reach the consumer. That argument cannot stand. On principle the maintenance of these excise duties is vexatious, and that should be done away with as soon as possible. We were given a promise that as soon as the opportunity comes, the duty will be removed. What do we find now? It is proposed to be increased!

**Dr. H. S. Gour:** I move, Sir, that the question be now put.

**Mr. President:** The question is:

'That clause 4 do stand part of the Bill.'

The Assembly then divided as follows:

AYES—38.

| | |
|---|---|
| Abdur Rahim Khan, Mr. | Ikramullah Khan, Raja M. M. |
| Aiyar, Mr. V. V. | Innes, the Honourable Mr. C. A. |
| Akram Hussain, Prince A. M. M. | Kabraji, Mr. J. K. N. |
| Bijlikhan, Sardar G. | Keith, Mr. W. J. |
| Bradley-Birt, Mr. F. B. | Lindsay, Mr. Darcy. |
| Bray, Mr. Denys. | Mitter, Mr. K. N. |
| Bryant, Mr. J. F. | Muhammad Hussain, Mr. T. |
| Chatterjee, Mr. A. C. | Percival, Mr. P. E. |
| Clarke, Mr. G. R. | Rao, Mr. C. Krishnaswami. |
| Cotelingam, Mr. J. P. | Renouf, Mr. W. C. |
| Crookshank, Sir Sydney. | Sapru, the Honourable Dr. T. B. |
| Dalal, Sardar B. A. | Sarfaraz Hussain Khan, Mr. |
| Dentith, Mr. A. W. | Sharp, Mr. H. |
| Faridoonji, Mr. R. | Spence, Mr. R. A. |
| Fell, Sir Godfrey. | Tulshan, Mr. Sheopershad. |
| Gajjan Singh, Sardar Bahadur. | Vincent, the Honourable Sir William. |
| Habibullah, Mr. Muhammad. | Waghorn, Colonel W. D. |
| Hailey, the Honourable Sir Malcolm. | Way, Mr. T. A. H. |
| Hullah, Mr. J. | Webb, Sir M. dePomeroy. |

NOES—55.

| | |
|---|---|
| Abdul Majid, Shaikh. | Man Singh, Bhai. |
| Abdul Quadir, Maulvi. | Misra, Mr. B. N. |
| Abdulla, Mr. Saiyed Muhammad. | Misra, Mr. P. L. |
| Agarwala, Lala G. L. | Mudaliar, Mr. S. |
| Agnihotri, Mr. K. B. L. | Mukherjee, Mr. J. N. |
| Ahmed Baksh Khan, Mr. | Mukherjee, Mr. T. P. |
| Aiyer, Sir P. S. Sivaswamy. | Nabi Hadi, Mr. S. M. |
| Asjad-ul-lah, Maulvi Miyan. | Nag, Mr. G. C. |
| Ayyangar, Mr. M. G. M. | Nand Lal, Dr. |
| Ayyar, Mr. T. V. Seshagiri. | Neogy, Mr. K. C. |
| Bajpai, Mr. S. P. | Ramayya Pantulu, Mr. J. |
| Barodawala, Mr. S. K. | Rangachariar, Mr. T. |
| Bhargava, Pandit J. L. | Reddi, Mr. M. K. |
| Bishambhar Nath, Mr. | Rhodes, Mr. C. W. |
| Chaudhuri, Mr. J. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Sarvadhikary, Sir Deva Prasad. |
| Ginwala, Mr. P. P. | Schamnad, Mr. Mahmood. |
| Girdhardas, Mr. N. | Shahani, Mr. S. C. |
| Gour, Dr. H. S. | Singh, Babu B. P. |
| Hussanally, Mr. W. M. | Sinha, Babu Ambika Prasad. |
| Iswar Saran, Munshi. | Sinha, Beohar Ragnubir. |
| Jamnadas Dwarkadas, Mr. | Sohan Lal, Bakshi. |
| Jatkar, Mr. B. H. R. | Srinivasa Rao, Mr. P. V. |
| Kamat, Mr. B. S. | Subrahmanayam, Mr. C. S. |
| Lakshmi Narayan Lal, Mr. | Subzposh, Mr. S. M. Z. A. |
| Latthe, Mr. A. B. | Thackersey, Sir Vithaldas D. |
| Mahadeo Prasad, Munshi. | Vishindas, Mr. H. |
| Manmohandas Ramji, Mr. | |

The motion was negatived.

Clause 5 was added to the Bill.

**The Honourable Mr. C. A. Innes:** Sir, I beg to move:

'That in sub-clause (*b*) of the explanation to clause 6, after the word 'used' the words 'in liquid form' be inserted.'

The object of this amendment, Sir is merely to clear up a doubt. It has been suggested to us that. if we pass this clause in its present form, candles could be assessed as motor spirit or kerosene. We do not think that there is very much reality in the doubt, but we have been advised that it is desirable to clear up the matter beyond all doubt and that is the reason why I have proposed this small amendment.

**Dr. H. S. Gour:** I oppose both the section as well as the proposed amendment, and I do it not on any general grounds but on the short ground that the duty on kerosene will hit hard the poorest in the land. As the Honourable Members are aware, kerosene has now come to play a very important part in the domestic life of the villagers in this country. It has replaced vegetable oils for lighting purposes and the principle which underlies the Resolution passed by this House negativing the salt tax applies equally to kerosene. We have been told by the Honourable Members on the other side that these taxes are supportable on the grounds of both principle and policy and we have no doubt that the tax on kerosene will be sought to be supported on similar grounds. Now, Sir, I do not wish to generalise on the general principles governing taxation. We are dealing here with the Finance Bill which is limited to 12 months, and I shall therefore ask the Honourable Members of this House to consider this question from that narrow standpoint. My friend, the Honourable Mr. Rangachariar, has stated in connection with another Resolution disposed of by this House, that we wish to use pressure upon the Government, by refusing these supplies, to curtail and retrench military expenditure. My Honourable friend, Sir Malcolm Hailey, has told us that the proposal for the curtailment of military expenditure is unthinkable this year. The Honourable Sir Sivaswamy Aiyer pointed out the various ways in which, without detriment to the strength and efficiency of the army, the military expenditure might be curtailed, and if I correctly heard him, he also used the word champagne in that connection. The Honourable the Finance Member is perfectly willing to refer the question of civil and military expenditure to the proposed Retrenchment Committee. If the Committee is properly formed and its terms of reference made as liberal as disclosed by the Honourable the Finance Member, I have not the slightest doubt that that Committee would be in a position to effect substantial retrenchments in our national expenditure.

So far as this small question of kerosene is concerned, I do not think I need detain the House for long. It is a very small figure bringing in a revenue of less than a crore of rupees per annum; and, while we have enunciated a clear principle for making the poor man's salt tax-free so far as we were able to do so, we cannot but follow out that principle by making his illuminant equally free. The Honourable Mr. Innes, who defended the salt-tax in his speech of great eloquence and force, pointed out by the display of his

statistics that it would fall very lightly upon the poor families of this country. I do not know whether the Honourable Member for Commerce and Industries has studied that chapter in the English history which is known as the chapter for the establishment of free trade in England. Honourable Members will remember the Anti-corn Law League which did away with all taxes upon the import of corn, not because the English people were not able to buy their loaves with the duty put upon them, but because they said it was a vicious principle to make the poor man pay such heavy taxes. So far as kerosene is concerned, it is even a greater necessity than salt, because unless you have kerosene, the poor man will not be able to see and eat his salt. He will not be able even to light his lamp. I therefore venture to submit that if any case has to be made out in favour of kerosene, it stands on even stronger and firmer ground than the two previous Resolutions which you have passed by such a strong majority. I ask, Sir, that my Resolution should receive even stronger support.

**The Honourable Mr. C. A. Innes:** Sir, it seems to me that there is a sort of unconscious unreality about our debates this afternoon. I have a sort of feeling that when we come to this Assembly to discuss these proposals, we are not here really to discuss the proposals but merely to register decrees which have been arrived at in the lobbies of the House. I do hope that this House will reconsider that attitude. If this Assembly is to do its duty by the people of India, it is up to this Assembly to consider proposals upon their merits, and to listen carefully to what can be said in favour of these proposals. Dr. Gour, Sir, has told you that the imposition of this small excise duty upon kerosene produced in India, coupled as it will be with a corresponding increase in the import duty, is going to add to the cost of living for the poor man. Well, Sir, I have worked out figures here. I do not know if they will interest the House, but such as they are, I will give them. We know exactly what increased cost this extra anna is going to cause. I have figures here furnished to me by the Burma Oil Company. The increase of cost arising from the duty is to be 8 annas per case of two four-gallon tins, that is to say, it is to be one anna per gallon. Now, Sir, our statistics show that the consumption of kerosene oil in India is half a gallon per head per annum. The actual effect of this tax therefore is going to be this; it will add to the cost of living to the extent of 6 pies per head per annum; that is to say, it is going to add to the cost of living for a family of four 2 annas per year. I ask the House, is 2 annas a year for a family of 4 going to hurt anybody at all; and I also ask the House to recall what the effect of their decisions to-day has been. We began with a deficit of 2·72. The House has cut off the salt duty. That is 4 crores 30. It has cut off cotton excise, that is, 2 crores. Our deficit therefore is 9 crores 2 lakhs. Deduct from that 95 lakhs, the savings effected by retrenchment, it leaves us with 8 crores and 7 lakhs. To that we have got to add refunds which we have got to make on account of the salt duty and the cotton excise which came into force on the 1st March. Our deficit, therefore, stands now at 8 crores 57 lakhs; and if you reject this proposal, you are going to add another 90 lakhs to-day. I have pointed out to the House that the effect of this proposal is that it is going to add two annas per year to the cost of a family of 4. That is one matter of fact,—and here is one other point which I think the House will take most carefully into consideration. In spite of the fact that we are adding slightly to the cost of kerosene by this excise duty and by this import duty, yet the price of kerosene has already come down by 9 annas a pair of four-gallon tins. The announcement is being made on March 22nd. I hope the House will consider that very carefully. Here I have got a letter from the Burma Oil Company. They have written to me saying that 'if it had not been for your excise duty and your import duty, we should be able to reduce our price of petrol by one rupee, one anna per two tins of 4 gallons each. Because you put on this extra duty, we are only able to reduce it by 9 annas.' Now the House, I hope, will take that fact into consideration. In spite of this excise duty and this increased import duty, the price of kerosene has gone down by 9 annas per two four-gallon tins.

**Dr. H. S. Gour:** How long will that price last?

**The Honourable Mr. C. A. Innes:** The reduction in the price is due to the fact that there has been a great reduction in the price of foreign oil. So I claim that owing to the reduction in price which is coming into force day after to-morrow, our imposition of an excise duty and our increase of import duty is not going to hurt the poor man at all. He is still going to get his reduction in price.

(At this stage Mr. T. V. Seshagiri Ayyar took the Chair.)

I put it to the House, are they going merely to stick to what has been decided outside, or are they going to take these plain facts into consideration and to give us the 90 lakhs which we will get out of this proposal ?

**Rao Bahadur T. Rangachariar:** Sir, I beg to move :

'That the consideration of this question be adjourned till to-morrow'

So that we may consider the matter in the light of the remarks made by the Honourable Mr. Innes.

**Mr. T. V. Seshagiri Ayyar:** The question is :

'That the further consideration of clause 6 be adjourned till to-morrow.'

**Mr. N. M. Samarth:** Sir, I may be permitted to ask a few questions upon this matter in order to form a considered judgment upon the proposal. Let not the Honourable Mr. Innes think that Members have come here simply to vote one way or the other.

I take it that neither the Democratic Party nor the National Party is oblivious of any considerations which may be brought forward by Government in support of their proposals. At the same time, let me make it clear that I am a poor man's man; I am a village boy; and I feel that it is due to me and to every Member here who is of the same mind to see that nothing is done which will increase the burden of the poor man in India. Again, so far as this subject is concerned, I keep an open mind . . . .

**Mr. T. V. Seshagiri Ayyar:** The motion before the House is that consideration of this question be adjourned till to-morrow.

**Mr. N. M. Samarth:** I am in favour of that, but before I come to a decision I want to know whether the figures which I have here have been taken into consideration by the Honourable Mr. Innes when speaking just now. Here are the figures of 'prices of staple articles of import in 1873 and from 1896 to 1921. At page 32 of this publication, No. 1512 . . . . (*A Voice*: 'What is that publication?') 'The Prices and Wages in India,' page 32. There is kerosene oil, Chester . . . (*A Voice*: 'The poor man does not use Chester') the price of that has gone up by a few rupees let me take the price in one of the years, 1915, 1914 or 1913. In 1912-13, it was Rs. 4-12 per case of two tins . . .

**Mr. T. V. Seshagiri Ayyar:** The Honourable Member from Bombay would do well to speak to the proposition before the House, namely, that the consideration of this matter be adjourned till to-morrow.

**Mr. N. M. Samarth:** May I make this clear ? I want this information, so that, if the question is adjourned till to-morrow, I may be able to come to a considered decision upon it. If we do not get this information, then we may come to a decision in the dark.

**Dr. H. S. Gour:** I support Mr. Samarth for the purpose of asking Mr. Innes to furnish this information, upon which we shall have time to deliberate.

**Mr. N. M. Samarth:** Then, Sir, the prices have gone up from Rs. 5 to Rs. 6-15, to Rs. 7-14, to Rs. 9-9, until in January, 1921, they were Rs. 10-12. It is no use calculating, by the addition of this duty, on the high prices of last year, what the increase per head comes to. As a matter of fact, the people do feel the pinch of the high prices of kerosene even now. They have been feeling it for several years, and it is no use telling us that the proposed tax only slightly increases the existing burden. As a matter of fact, the kerosene oil which the people require for daily use is so dear that they cannot afford to buy it without great hardship. Consequently, is it fair that you should increase the tax on it and make it dearer still? So far as retail prices are concerned, if the Honourable Mr. Innes can convince us that by his proposal he is going to reduce the prices to those which prevailed in 1914-15, Rs. 5 or Rs. 4-12, we will certainly and heartily support his proposal.

**Sir Deva Prasad Sarvadhikary:** Sir, I do not wish to object to the proposal for adjourning this matter till to-morrow, if that will be any help in bringing about a better understanding. But there is a matter which has been mentioned by the Honourable Mr. Innes, with regard to which, I think, the position of some of us here ought to be made clear. I distinctly join issue with him when he takes it for granted as he has done twice to-day that Members come here determined to vote as the result of lobbying, canvassing or what is called 'Party' arrangements. He has himself brought it out, and Sir Malcolm Hailey had referred to the brute force of voting. I am in a way

glad they did so. All of us do not, however, belong to what has been called 'Parties' or groups. Some of us think that though Parties will and must come in time, rigid Party organisations are now impossible and undesirable. It is I maintain that as far as possible Members should vote according to their own judgment, and if Mr. Innes analysed the results of the voting during the last few days he must have noticed and been satisfied that there have been Members who have voted as freely on the Government side as on the other as occasion has justified. There are those who are determined and declare their determination to support the Government when possible and oppose it when necessary. That is the unalterable creed of the National Liberal Party and I have no doubt of the Party here called the National Party, I suppose for the sake of effect and abbreviation. Sir, what has been happening for the last few days and particularly what has happened to-day will probably soon oblige Members, who are at present standing out not in isolation but detachments, to join one or other of the Parties or to create another group. It has been the boast of all the Legislative Councils in the country, here in the Central Government and in the provinces, that Members so far that they have, to the best of their ability and in the best of their light, always discharged their duties and voted with a free conscience. I have no reason to believe that, even when they join in groups and take counsel together—for I maintain that what is called and understood to be Parties is here now impossible—they will act otherwise than they have in the past, namely, with a free conscience and enforced judgment. What does the Government itself do, and the members of the Government? Unless by a declaration of the Leader of the House set free, are not they bound to vote as the Government desires? Who has ever raised any objection to that? Who can? Why then a strong Government should object to what is confessedly this strength of the weak organisation. Now we are coming to a state of affairs when combination in the interest of the country becomes inevitable. The Government by its action and inaction is forcing the face and forcing the hands of those who would still maintain the independence that they value so much. There is no question of brute force in increasing national, and normal Parliamentary rights.

Sir, on the merits of the case itself I do not know why my friends want time in order to make up their minds. What has Mr. Innes said that makes the position so very difficult or alters it? He has urged the commonplace.

For myself, I would not have the slightest hesitation in opposing the proposal for reduction of kerosene tax, for some taxation is necessary and inevitable. Government cannot be blindly opposed all along the line. We are undoubtedly here to see that as much reduction as possible is made in the demands as well as in taxation. At the same time, we realise that Government must be supported also as far as possible. It has been made clear by Sir Vithaldas Thackersey, by Sir Sivaswamy Aiyer and, to a certain extent, I believe by myself, that if Government will co-operate with us, it ought not to be difficult to make up this deficit of 10 or 12 crores. All our proposals have not been fully considered, some like the proposal for spreading over the exchange deficit in the matter of accounting, has not even been attempted to be answered. The only course open to Members of the House under the circumstances, therefore, has been taken. Will the Government consider for a moment how it is that the different sections of the House differing from one another in many respects including those not attached to any Party, have almost to a man taken up a stand in certain matters not agreeable to Government? In the same way that while Government here—and not dictated from England—has been thinking of the cotton excise duties as a revenue measure and Manchester has been independently welcoming them, Members of this House in the different parts may well have been thinking of things in common and coming to an unanimous conclusion independently and to the best of their ability and without suggestion, dictation or approval from other sides. I do protest against the assumption that Members without thought or conviction act as Mr. Innes seems to have unthinkingly suggested.

**Dr. H. S. Gour:** I rise to a point of order. The other day the Honourable Sir Malcolm Hailey referred in his Budget speech to the fact that we who had the majority in this House should not decide questions against him by using the brute force of our votes. The Honourable Mr. Innes to-day harks back to that sentiment, though he did not use the same expression, but the underlying current of his thought was that it is improper for any section of this House to form into Party organisations and come here with a certain unity of mind and purpose . . . .

**Mr. T. V. Seshagiri Ayyar:** Will you put the point of order?

**Dr. H. S. Gour:** I wish, therefore, to ask you, Sir, is it un-Parliamentary procedure for any section of this House, for the Members to join together into a Party organisation and to take concerted action? (*Mr. N. M. Samarth:* 'Equally with Government'.) My friend, Mr. Samarth . . . .

**Mr. T. V. Seshagiri Ayyar:** Will you kindly state the point of order on which you want my ruling.

**Dr. H. S. Gour:** I am just prefacing my remarks. The point of order that I wish to put, Sir, is this. We have been castigated by two Honourable Members of the Executive Council for having formed a Party organisation. I wish to ask . . . .

**The Honourable Sir Malcolm Hailey:** May I rise to a point of order, Sir? I think one of those Members to whom Dr. Gour is referring must be myself, and I put it that he is not entitled to quote me unless he quotes me correctly. I therefore desire, Sir, that he will quote the words which I have used in 'castigating' him or anybody else for voting together.

**Dr. H. S. Gour:** Sir, what I have said the Honourable the Finance Member has not denied.

**Mr. T. V. Seshagiri Ayyar:** I want the exact question on which you want my ruling. I want the question to be put.

**The Honourable Sir Malcolm Hailey:** And I want the quotation on which Dr. Gour bases his charge against me.

**Sir Deva Prasad Sarvadhikary:** Is Dr. Gour raising a point of order or is he replying?

**Dr. H. S. Gour:** I will put the points categorically for the decision of the Chair. Is it legal or illegal, proper or improper, for Members of this House to form themselves into a political Party or Parties, and secondly to join together in voting upon matters upon which, after previous consultation and due deliberation, they come to a certain conclusion; and thirdly, is this in accordance with Parliamentary practice, or is it not? These are the questions.

**Rao Bahadur T. Rangachariar:** My Honourable friend has asked you, Sir, whether it is legal or illegal, proper or improper? Supposing the ruling is illegal, will my Honourable friend advise us to dissolve?

**Mr. T. V. Seshagiri Ayyar:** With regard to the three questions put by the Honourable Member from the Central Provinces, I feel no doubt in giving my opinion. I do not think anybody has questioned the right of Members of this House to form a Party, and I do not believe the Government Benches have ever said that they should not form a Party. (Hear, hear.) There is absolutely nothing illegal in forming a Party. That is the first answer.

As to the second question, I see no illegality in Members of the Party meeting together and exchanging views and coming here to vote upon questions. I do not think the Government Benches have ever said that it is illegal.

As regards the third point, so far as my knowledge goes, I do not think it is inconsistent with Parliamentary practice; on the other hand, my belief is that in Parliament such a procedure is regarded as perfectly legal and legitimate.

**Dr. Nand Lal:** I thank the Chair for this enlightenment.

(At this stage Mr. President resumed his seat.)

**Mr. S. C. Shahani:** Sir, I beg to oppose the adjournment.

**Mr. W. M. Hussanally:** Sir, I want to speak on the adjournment.

**Dr. Nand Lal:** I think, Sir, that I was ordered by the Chair to speak. (Loud laughter.) The Chair had changed since. I was the first to get up. (*A Voice:* 'Dr. Nand Lal was called upon to speak by the Chair'.) I am in possession of the House. But to observe discipline and not to make confusion, I am prepared to speak later.

**Mr. President:** I called the first Member whom I saw rise and that was the Honourable Member from Sind. If Dr. Nand Lal was asked by the Chairman to speak, I am quite ready to ask my Honourable friend on the left to wait.

**Dr. Nand Lal:** I am in favour of the motion for adjournment. I think the matter is of vital importance and it is quite probable that our deliberations may bring us to a right conclusion. I think no Party will be put to any kind of harm if the adjournment is allowed and the reasons which have been assigned against it seem to be nothing. Therefore, with these few remarks, I submit I am in support of the motion for adjournment so far as this question is concerned.

**Mr. W. M Hussanally:** Sir, I rise to oppose the motion for adjournment brought by my friend, Mr. Rangachariar. But before I do so, I join my friend, Sir Deva Prasad Sarvadhikary, in all the remarks that he has made with regard to the attitude adopted by the Honourable Mr. Innes in castigating the Members of this House in joining together and I certainly resent the remarks that fell from him.

In regard to the motion for adjournment, Sir, I say that the proposition before us with regard to the duty on kerosene is a very simple matter and hardly requires any further consideration. The point at issue is whether kerosene has fallen or is going to fall in price to anything like pre-war prices or even remain reasonably higher than the pre-war rates. Of that I see no chance whatever. Kerosene and crude oil is not only used for lighting purposes by the poor but also used largely for agricultural machinery. The price ruling at present is exorbitant and above the reach of agriculturists. Poor people use it for agricultural purposes, and therefore it ought to be opposed in all conscience. I therefore oppose the motion for adjournment.

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadan Rural): I am sorry I have to oppose the motion for adjournment which Mr. Rangachariar has brought forward. He wants time simply because his Party has not considered certain new facts which the Honourable Mr. Innes brought forward just now. I believe if an adjournment is given merely because a particular Party has not concluded their deliberations it will set up a bad precedent I believe we are discussing here public business and it is no argument to say that a particular Party (I am speaking entirely as an Independent and a non-Party man) wants time to consider particular information . . . .

**Dr. H. S. Gour:** I rise to a point of order. I do not think Mr. Rangachariar spoke for the Party when he moved for adjournment. (*A Voice*: 'He meant it'.)

**Mr. B. S. Kamat:** The trend of Mr. Rangachariar's argument was that he wanted time simply to consider new facts brought in the discussion. Sir, it would set a bad precedent to allow such adjournments.

**Mr. Darcy Lindsay** (Bengal: European): Sir, if there is to be any adjournment to enable the Democratic Party to consider the position, it is very necessary that a little more information should be given to them for that purpose. Are we permitted therefore to deal with the general question?

**Mr. President:** Discussion on the motion for adjournment for consideration of this Clause must be restricted to giving reasons for and against the course proposed.

**Mr. Darcy Lindsay:** My reasons, Sir, are that we have not got sufficient facts before us to enable us to arrive at a correct understanding as to whether we should oppose this tax or not.

**The Honourable Sir Malcolm Hailey:** If the debate is adjourned and I say nothing whatever about it—we shall of course be perfectly prepared to give any facts at our disposal to Honourable Members outside the House.

**Mr. President:** The question is:

**That the further consideration of Clause 6 be adjourned till to-morrow'.**

The Assembly then divided as follows:

AYES—57.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Barodawala, Mr. S. K.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Chaudhuri, Mr. J.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Manmohandas Ramji, Mr.
Misra, Mr. P. L.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Reddi, Mr. M. K.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sharp, Mr. H.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sohan Lal, Bakshi.
Spence, Mr. R. A.
Subrahmanayam, Mr. C. S.
Thackersey, Sir Vithaldas D.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Webb, Sir M. dePomeroy.

NOES—18.

Abdul Quadir, Maulvi.
Akram Hussain, Prince A. M. M.
Bajpai, Mr. S. P.
Crookshank, Sir Sydney.
Gour, Dr. H. S.
Hussanally, Mr. W. M.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lindsay, Mr. Darcy.
Misra, Mr. B. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Shahani, Mr. S. C.
Sinha, Beohar Raghubir.
Tulshan, Mr. Sheopershad.
Vishindas, Mr. H.
Way, Mr. T. A. H.
Zahiruddin Ahmed, Mr.

The motion was adopted.

Clause 7 was added to the Bill.

**Mr. President:** The question is:

"That clause 8 do stand as part of the Bill."

**Rao Bahadur T. Rangachariar:** Sir, I beg to oppose this clause. The amendment of which I have given notice, namely, to omit the clause, not being exactly in order, I shall oppose the retention of the clause . . .

**Sir Montagu Webb:** Sir, on a point of order, does not my motion to insert a new clause 7 come first?

**Mr. President:** New clauses, not being part of the Bill as presented, come up only after the clauses of the Bill as presented.

**Rao Bahadur T. Rangachariar:** Honourable Members will notice from the Statement of Objects and Reasons, clause 8, that this is consequential—perhaps not exactly consequential but arises out of the determination of the executive Government to raise the Railway rates, both as regards goods and as regards passenger fares. I say it is in consequence, I do not say it is a direct consequence, of that Resolution, nor is it a legal consequence of that Resolution, but still it is the result of their determination to do so; a decision which unfortunately does not come before this Assembly for a vote, namely, whether the rates of fares of the third and inter class passengers should be raised at all. Sir, there is a very strong feeling in the country that the rates now prevailing are very high indeed, and in fact the bulk of the revenue comes from these third class passengers. I believe it was admitted the other day that more than 5-6ths of the revenues which the railway companies earn comes out of these unfortunate third and inter class passengers, who do not admittedly get the ordinary amenities which they are entitled to when travelling. That is admitted. They are overcrowded, they are shunted about like anything; their carriages are detached in the middle of the night at junction stations in order to make room for first and second class passengers. We have seen that even whole third class carriages are detached to make room for one first class passenger.

**Sir P. S. Sivaswamy Aiyer:** I rise to a point of order, Sir. This motion deals with freights and not with passengers.

**Rao Bahadur T. Rangachariar:** Therefore, as I have stated already, I oppose the introduction of this clause here on the ground that the executive Government should not interfere with the existing rates of fares of third and inter class passengers. On this ground I oppose this clause.

**Mr. President:** I understand that this deals solely with freights and not with passenger fares.

**Rao Bahadur T. Rangachariar:** My ground for opposition is that this is a result of their action in increasing the goods rates and also the passenger rates. I do not say it is a direct, legal result, but it depends upon that. They have adopted this course, and, therefore, the retention of this Act is necessary because they are getting their revenue in other ways. That is to say, the additional revenue which they would be getting if this Act were in force, they want to deprive themselves of it on the ground that they are raising the revenue in other ways, namely, by raising the passenger fares for third and inter classes. That being the reason which has induced this Government to introduce this clause in this Bill, I say if we let this Bill be passed, and if any additional burden is to be thrown on the people, it would make it unbearable.

**The Honourable Mr. C. A. Innes:** May I point out, Sir, that we introduced this clause because we have raised the freight on goods, and the introduction of this clause here has no relation whatsoever to passenger fares.

**Sir Vithaldas D. Thackersey:** Sir, I am not inclined to oppose this proposal on the ground mentioned by my Honourable friend, Mr. Rangachariar. But I think some explanation is necessary before we can decide upon this question whether the effect of this would not be that a part of the increase in the revenue would go to some one else and not to the Government of India. It is under this Act that we levy a surtax of 2½ annas in the rupee—I stand subject to correction—on goods, and the whole of that revenue which was expected to be 6¼ crores came to the central treasury. Now it is proposed to repeal that Act and increase the general tariff on goods. The effect would be that a part of the income from the tax or the increased rates which is mainly intended for replenishing the treasury of the Government of India would go in the case of private companies to the owners of those companies and in the Company-managed lines to the shareholders of those Companies, to the extent of 10 or 15 per cent. or whatever the ratio they hold in those concerns. Therefore, if the object of increasing the railway fare is to get revenue for the central treasury, I do not think that the method adopted is the right one.

Then, Sir, during the war these railways were starved, and renewals were deferred and that is the main reason why we want more money for capital and programme revenue expenditure. In those years when we starved the Railways, the profits were higher, they were ranged from 5 to 14 crores. At that time we did not set aside sufficient funds for replacements and renewals. Therefore, according to ordinary practice of commercial concerns the profit was not a real one, it was a profit distributed without any provision being made for depreciation. The country lost in two ways. When we did not provide for renewals, larger amounts were distributed to the company-owned railways, and now when we want to get more revenue for the central treasury, we allow a share of that profit also to go to the company. Is that fair? I therefore oppose it on that ground alone and I hold that the whole of the revenue should go to the central treasury.

**Mr. R. A. Spence:** Sir, I happened to be the Mover of the Resolution a year ago which obtained the surtax of 2½ annas in the rupee instead of the Government proposals of so much per maund, and the Members who were here last year will remember that we passed that surtax of 2½ annas on the distinct understanding that Government would remove that surtax as soon as the railway companies had revised their rates. With regard to what Sir Vithaldas has said, the railways do not consider it fair—I am not speaking on behalf of the Railway Board—but I believe it to be so, and it seems to be common sense in the case of a surtax, that the whole of the revenue goes to the Government and it is not used for the benefit specifically of the particular railway on which the goods were sent. Government can use that money for any railway they like. Why should not the railways—as Sir Vithaldas pointed out, the railways have been starved in the past—why should not the railways get the freight that they earn? This Assembly was promised when we passed the surtax last year that we should have a revision of Railway rates, and I consider it would have been a breach of faith if we had not had the rates revised. If Members will remember what happened last year, we did want to have a revision in rates and we criticised the Railway Board very severely because they had not got out for us a revision of the rates

which would have enabled us to do away with this surtax. I welcome, Sir, this clause in the Bill.

**Mr. N. M. Joshi:** Sir, I support the motion of my Honourable friend, Mr. Rangachariar, on similar grounds. Sir, I do not wish to help Government by giving them my vote on this clause unless they make a declaration here that they will not raise the third class fares. And with your indulgence, Sir, I will only make two remarks. In the first place, it is the third class passenger only who pays his way. It has been stated in the annual Government report for Railways that on the first class passengers, the Railways make a loss, on the second class passengers they make a very small profit, but that the largest amount of profit is made on the third class passengers. If that is so, I do not know why Government should raise the third class fares in order to make good the loss which takes place in other spheres. In the second place, there are statements in the annual report of the Railway Board that out of 100 first class seats carried, they get fares only for 13, out of 100 second class seats carried, they get fares only for 20 or between 20 and 25, but out of 100 third class seats carried they get fares for 50. It means that in every train there are a larger number of first class seats vacant. It means that in every train there are a larger number of second class seats vacant, and therefore Government has no case for raising the third class fares. Sir, the number of vacant seats that are carried in the first and second classes is, in my humble opinion, due to a practice which has no justification, namely . . . .

**Mr. President:** I let the Honourable Member go on as I thought he had terms to offer to the Government. I cannot let him go any further.

**The Honourable Mr. C. A. Innes:** Sir, I must confess that I am not quite clear as to what exact point the House wishes to make. Mr. Rangachariar and Mr. Joshi apparently wish to excise this clause from this Bill as a protest against the proposed increase in third-class passenger fares. I think I am right in saying that you ruled them out of order in making that suggestion. Then, again, Sir Vithaldas Thackersey has suggested that we should restore Act XIII of 1917, because he considers it unfair that the Companies should get the full benefit of the increase of goods rates. I think I have got Sir Vithaldas Thackersey's point quite clear. Let me deal with that point quite shortly. Last year, as Mr. Spence has said, we repealed this Act XIII of 1917 and we put on a larger surtax. We did that because the Railway Board had not been able to prepare their revised schedule rates. We said most clearly at the time that it was purely a temporary expedient. We pointed out all the objections to surcharges and freight taxes as a substitute for the proper scientific method of adjusting the goods rates to what the traffic can bear, and practically we were under a pledge to have ready by the beginning of this year a revised schedule of goods rates. I think I have stated the position quite correctly, and I think that every one on reflection will agree that the Railway Company, being a commercial company, must study most carefully the effect of whatever enhanced rates it may put on. Those rates must, as I have said before, be adjusted to what the traffic can bear. Surtax may be a temporary expedient as in the case of war or a temporary expedient while a new schedule is being prepared. But it is always a bad expedient, because it does not enable a Company to adjust its rates to what the traffic can bear.

Now, Sir, let me take the next point. Sir Vithaldas Thackersey says that we are increasing our rates on goods because we have allowed the Railways to run down during the war. Heavy expenditure is, therefore, necessary and it is unfair that the Company should get their share of the enhancement of goods rates. He would prefer to take this enhancement, as I understand it, in the form of a freight tax in order that the whole of it may go to Government. Well, Sir, I am sure that even Sir Vithaldas Thackersey on reflection will resile from that position. After all, what is our position *vis-a-vis* the Companies? In these Company-managed State Railways we stand in relation to the companies in two different positions. In the first place, we are the Government, and in the second place, we are co-partners with the shareholders. We own in the case of some Railways 5-6ths of the share capital and in the case of the others 19-20ths. Now, Sir, is it fair for us, because we happen also to be the Government, to exercise our powers as a Government to take the profits we want out of these Railways, not in the form of enhancement of rates, because if we take it in that form, the smaller shareholders are going to get their share? Is that honest? I am perfectly sure that Sir Vithaldas Thackersey will see on reflection that it would not be honest for us to take up that line. These men own a small share in the Company, and if on account of a rise in working expenses and other causes we find it necessary to increase the goods rates, surely those people who own their small share in the Company should get a small share of the profits also. I think that is perfectly clear. I think also that the House will agree with me that it would be a

mistake for us to restore this Act, now we have just raised our rates. They have been adjusted by the Companies according, as I have said, to what the traffic can bear. If by restoring this Act we also restore the Schedule to the Act, it would mean that we will have to add on to our adjusted rates one pie per maund with regard to coal,—firewood and fodder, and two pies per maund for every other article of merchandise, and this will be a very heavy burden upon that mercantile community to which Sir Vithaldas Thackersey belongs. And it would be unfair, I think, to the Companies, for in revising their rates, they have considered most carefully the varying circumstances on each particular line of traffic. It was a method which was legitimate during the war when we were urgently in need of money. It was a method which was legitimate last year because we had not our schedules ready then. But now that we have revised our goods rates, I think it would be a great mistake to restore this Act and to add on to our revised rates 1 pie or 2 pies as the case may be. As a matter of fact, Sir, I understand that it would not matter whether we delete this clause or whether we do not. It would restore the Act, I am advised, but it would not restore the Schedule. So it would not make any difference.

**Sir Vithaldas Thackersey:** What about the distribution of the amount which really was part of the depreciation that we did not spend on renewals and which we divided in giving larger profits to companies during the last four years?

**Sir Deva Prasad Sarvadhikary:** It would help some of us who want to vote intelligently and honestly, about which some are laudably anxious, if either the Mover of the amendment or the Government would explain a little more fully what the financial results would be. We are admittedly faced with a serious difficulty. Here is some sure finance proposed to be sacrificed. I do not know what the exact terms of the pledge given last year was and whether the carrying out of the pledge may not stand over. At all events, we are entitled to know what the exact financial results of giving this up would be, and what the result of the new schedules would be and whether that schedule would have to be revised if the surcharge is not proposed but is continued.

**Dr. H. S. Gour:** After the speech of the Honourable Mr. Innes I am left in greater obscurity than I was in before he spoke on the subject. I should like also to appeal to him to throw some light on the subject of how we stand; that is to say, if the freight is revised, will it go entirely to the Railway Companies or will it be divided between the Government and the Railway Companies? How much does the Government make from the surtax which it is likely to lose by the revision of freight? I should like very much that we get some net results as to what the Government will gain or lose by the proposed insertion of clause 8 which is the subject-matter of the discussion.

**The Honourable Sir Malcolm Hailey:** May I explain it in my own way, Sir? I do not know whether I shall succeed in satisfying the House because the matter is just a little involved. In 1917 we put a small surtax, the one pie surtax as it is usually called. That brought us in about a crore of rupees. Last year we put on the heavy surtax, which was estimated to bring us in about 540 lakhs. The law imposing the heavy surtax was to be in force for a year, ending 31st March, 1922, and during that period the law of 1917 imposing the small surtax is in abeyance; it will revive on 31st March unless it is repealed. We now propose to do this. I hope that so much is clear. There is some additional legal complication about the schedule, but I am taking the substance. The heavier surtax, as I have said, was calculated to bring us in about 540 lakhs, and although it did not fully meet our expectations, yet that sum may be taken approximately as to what its value to us should have been. As that heavy surtax law is about to lapse, we have imposed increased freight charges which we calculate to bring in about the equivalent of the heavy surtax; we have in fact in our Budget for next year entered a sum of six crores on that account. (*Mr. Rangachariar*: 'Does it include passenger rates?') No, purely goods freights, and that is why I was a little astonished that Mr. Rangachariar in bringing forward his proposal mentioned passenger rates. We are replacing the lapsed heavy surtax by increased goods freights calculated, as my Honourable friend explained, on the discriminating basis which is adopted by railways in drawing up their schedules. We do not, therefore, desire that the enhanced goods freights should be in operation at the same time as the small surtax, and we set ourselves here in clause (8) to repeal the small surtax. If we do not repeal this, then we should be taking both the enhanced goods freight of six crores and the one crore of rupees under the small surtax.

**Rao Bahadur Rangachariar:** If you had that crore, you need not increase the passenger rates.

**The Honourable Sir Malcolm Hailey:** *Pro tanto* we could reduce the passenger rates, but I would like to warn the House of the exact effect of keeping on the small surtax *plus* the enhanced freights. The small surtax is not, in itself, a very scientific proceeding, and moreover there would be the additional difficulty that railways would have to calculate for each class of goods both the enhanced rates and the small surtax. I think the effect would be that the railway companies will have to set to work again and readjust their enhanced freights in view of the fact that the small surtax would still be in operation. In view of the fact that Railways have now re-calculated the whole of their enhanced rates on a more systematic basis, it would be unfortunate if the House were to decide to keep on the small surtax at the same time.

**Rao Bahadur T. Rangachariar:** Provided you give us an assurance about the third class passenger rates, we won't press this.

**The Honourable Sir Malcolm Hailey:** I am afraid that assurance is not possible. I have told the House the facts about the passenger rates. The passenger rates are to bring us in about five crores in the coming year, and five-sixths of that is to be brought in under the third class passenger fares. It will not be possible, I am afraid, to give the guarantee which my Honourable friend wants that we will not raise the rates of the third class passengers. If we did so, we should not get our money.

**Sir Deva Prasad Sarvadhikary:** What about the pledge about which we have heard ?

**The Honourable Sir Malcolm Hailey:** Last year, when we put on the heavy surtax, we gave a pledge that we would substitute enhanced goods freights as soon as possible. If I remember rightly, it was the universally expressed opinion of the commercial Members that the surtax was a most unscientific procedure, and that we ought to set to work at once and enhance our rates to bring us in the amount required. They told us that any really businesslike body would have done it immediately, and they criticised us severely because we said that it would take several months to effect. We gave an undertaking that as soon as we could, we would replace the heavy surtax by a properly calculated system of enhanced freights.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): As I have given notice of a similar amendment, I think I ought to make my position clear. The Honourable the Finance Member will remember that when I wanted to discuss the question of the enhancement of the passenger rates in connection with the Demand for Grants, when we were considering the working expenses of the railways, the Honourable the Finance Member interjected saying that the Finance Bill would be the proper occasion for discussing that question.

**The Honourable Sir Macolm Hailey:** If the Honourable Member will allow me, I would freely admit that I made a mistake—I hope a rare one.

**Mr. K. C. Neogy:** I gave notice of this amendment only for the purpose of bringing up that question in this connection. I do not know if I will be in order if I discuss the question of passenger rates on this motion, and I want a ruling from the Chair on this point before I proceed further.

**Mr. President:** Discussion of the passenger rates cannot be entered upon under this motion that clause 8 stand part of the Bill. It has been brought in in several speeches, but in each case I have ruled it out of order.

**Mr. J. Chaudhuri:** May I ask the Honourable Mr. Innes and the President of the Railway Board for some information on the question of revised goods tariff which supersedes the surtax ? I am informed that preferential through rates for goods have been put down in the schedule from the seaports and the same rate for goods is not allowed for other industrial centres. This prejudices the industrial centres which are located inland in this way that if preferential rates are given to seaport towns, that helps the export trade and also helps the import of foreign articles. That is practically indirectly giving preference to foreign manufacturers and prejudicing the industries of the country. The attention of the Industrial Commission was pointedly drawn to this fact, and it was urged by the Indian manufacturers that this should be remedied. Has this been done ? When we are not allowed directly to discuss the Railway rates adopted in the Schedule which is not before us, now that the whole of the surtax which was imposed by virtue of the Railway Act is going to be removed. I think I am entitled to raise the question and ask the Honourable the Member for Commerce whether that

is so, and whether, if so, he proposes to do away with this distinction and allow the benefit of preferential rates to all local and indigenous industries s well?

**Colonel W. D. Waghorn** (President Railway Board): There are two points which I should like to answer. One was raised by my Honourable friend, Mr. Harchandrai Vishindas. He asked what proportion of the extra rates or the increase would go to the companies and what proportion would go to the Government. Approximately one-thirteenth or one-fourteenth is the companies' share and twelve-thirteenths or thirteen-fourteenths will be the Government's share—I cannot give the exact figure. My friend, Mr. Chaudhuri, asked in connection with the new scale in the schedule of rates that have been brought in whether there was any preferential treatment in regard to traffic to the seaports. So far as we are concerned, a new schedule has been brought in and new scales within that schedule. The Railway Board and the Government of India are not concerned with the actual application of the local rates within the schedule, and I am quite sure that there is nothing being done on any such lines as my Honourable friend suggests. There is no preferential treatment being given to any traffic whatever. I am speaking from my general knowledge of the behaviour of these lines in regard to their traffic. There will be no alteration.

**Mr. J. Chaudhuri:** There was a preferential through rate from the seaports to which the attention of the Industrial Commission was drawn.

**Colonel W. D. Waghorn:** If any such rates exist, the new rates will be passed on the same principles that have been applied. There will be no alteration in the policy. That is all I want to make clear.

**Mr. Manmohandas Ramji:** There was a complaint, and a loud complaint too that the port rates favoured imports from foreign countries and handicapped the local industries and through rates from ports were favourable rates. The theory of giving preferential rates to this class of business from the Railway point of view indirectly favours the idea of giving protection to foreign imports. Mr. Chaudhuri's point was whether that is taken into consideration and remedied in the proposed rates.

**Colonel W. D. Waghorn:** I tried to explain that the schedule that the Government of India deal with is not the application in detail of these rates between any specific points. The Honourable Member asked if special treatment was given as between ports and industrial centres or large centres both on the inward and the outward traffic. I can assure the Honourable Member that there is nothing of that kind, so far as I know. The only basis on which these rates are, if anything, made is to encourage export in bulk. Then there is competition for such traffic between these points to the ports for which naturally the railways have to compete. There is no intention of giving any preferential treatment to any particular class of traffic and there is no alteration in regard to the policy that is being introduced by the new scale in the schedule of rates that are now being introduced.

**Mr. K. C. Neogy:** I think I will be in order now.

**Mr. President:** I will allow the Honourable Member to go on, though when he sat down he had exhausted his right.

**Mr. K. C. Neogy:** As I understand it the effect of carrying this amendment would be to give Government a crore more than they expect from the railways. If we seek to revise rates and also let this surtax remain, then the revenue will be increased by one crore. I suggest that to the extent of this one crore we should relieve the burden proposed to be laid on the travelling public, by not enhancing the third class rates. I may remind the House that so far as the military section of the North Western Railway is concerned, it is an item purely of military expenditure costing us over one crore annually. Mr. Cook had to admit before the Acworth Committee that the only objection to showing that amount under military expenditure was that it would increase the amount of military expenditure, so that it is admitted on all hands that this is an item of military expenditure pure and simple. Let this surtax be continued for the purpose of financing that item of military expenditure, which the railway passengers are unjustly expected to finance. That is my suggestion.

**Mr. T. V. Seshagiri Ayyar:** I do not want that our friends should be under any misapprehension on this question. If we oppose the introduction of this section the result of it will be that the freight will remain, the passenger rate will remain and the Government will have an additional crore of rupees in consequence of our opposing this motion. Under these circumstances, I hope our friends will not take the impolitic step of opposing this section and urging that this section should be deleted altogether. That will have the

effect of giving the Government a crore of rupees more and thereby making taxation more onerous.

**Mr. President:** The question is:

'That clause 8 do stand part of the Bill.'

The motion was adopted.

Clause 8 was added to the Bill.

**Mr. President:** I think it will be more convenient if we take the amendment in the name of the Honourable Member from Madras City and the other amendments standing in another Honourable Member's name together, after we have taken the Schedule.

**Mr. Braja Sundar Das** (Orissa Division: Non-Muhammadan): I withdraw my amendment.

**Sir Vithaldas D. Thackersey:** I beg to move that in item 6 add the words 'copras or cocoanut kernels'. I may explain to the House the effect of my amendment. At present copras are put in the general schedule of 15 per cent. In fact there is no substantial import of copras from any country into India, and therefore Government do not receive any substantial revenue; but recently very large oil mills have been started in India and it is sometimes found necessary to import copras from Ceylon. In that case the duty of 15 per cent. is levied. Here you will be helping the oil industry by allowing the copras to come in as raw material in the same way as cotton and wool. As the Government revenue does not suffer, I hope the Government will accept this.

**The Honourable Mr. C. A. Innes:** I am afraid, Sir, that in the form in which he has moved it Sir Vithaldas Thackersey's amendment does not carry him very far. Item 6 of Schedule II states that oil seeds imported into British India by sea from the territories of any Prince or Chief in India are free. Sir Vithaldas Thackersey proposes to add copra. Well, Sir, copra is an oil seed already. When it is imported into British India from the territories of any Prince or Chief in India it is free already. Sir Vithaldas' amendment does not do what he wants to be done.

**Sir Vithaldas D. Thackersey:** I want my words put in the second line. I do not wish them to come after the words 'oil seeds'.

**The Honourable Mr. C. A. Innes:** I realised that that was his intention. From our point of view the revenue involved is not very serious. It would amount to about 2 lakhs of rupees upon the figures of last year. In 1919, however, 109 lakhs worth were imported into India and the loss of duty would have been more serious. Now I am quite prepared to admit that copra is a raw material. It is the dried kernel of the cocoanut, and it is used for crushing into oil. There is, as the House knows, a large oil mill at Ernakulam in Cochin State, that is to say, in an Indian State. This particular oil mill company happens to be in very great difficulties for copra; it is not getting the amount of copra it requires at a reasonable price and therefore it has started importing copra into Cochin from Ceylon, and it has come up to us to have the duty upon that copra removed on the ground that it is a raw material. Now, Sir, we have had this matter under our consideration, and naturally we took the only proper course. We told this Company:

'Our revenue is a revenue tariff at present, we do not manipulate our tariff in order to suit particular industries, but there is the Fiscal Commission sitting at this present minute, go and lay your case before the Commission and it will go into it and will make a recommendation to us.'

Now I think that that was the right course, and I think that the House ought to endorse the action we took, and that it ought not to allow itself to be rushed into making this change in the tariff—I will give you one reason why. There is a difference between Cochin oil and Ceylon oil, Cochin copra and Ceylon copra. Cochin copra, Malabar copra, is sun-dried *i.e.*, dried on the beach, Ceylon copra is dried in kilns. Malabar copra is notoriously the best copra in the world, it commands a premium over any other. Similarly, Cochin oil is the finest oil in the world. It is almost white and colourless, and it also commands a premium in the world's markets. Now, what I fear is that if we encourage in any way imports of large quantities of Ceylon copra into Cochin, we may, by so doing, injure the reputation of Cochin oil. That is the doubt I have in mind. I have made a reference on that point to the Madras Government, and, as I have already said, I have referred this Company to the Fiscal Commission. I suggest that Sir Vithaldas Thackersey ought to withdraw this amendment of his and let the matter be examined by the Fiscal Commission. I understand that the Fiscal Commission has already received

representations upon the subject, and, as it is under consideration, let us wait till we get their report.

**Sir Vithaldas D. Thackersey:** Sir, I beg to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Sir Vithaldas D. Thackersey:** Sir, I beg to move:

'That to item 8 of the Schedule the word 'wooltops' be added.'

This, again, Sir, is a raw material. In item 8, 'wool, raw', is provided for, but 'wooltops' is not provided for. It is practically a kind of wool which we hope India will import from Australia for the better quality of woollen goods, and on that principle I hope Government will accept this amendment.

**The Honourable Mr. C. A. Innes:** I should like Sir Vithaldas Thackersey, Sir, to tell the House whether he knows that wooltops are not treated as raw wool in coming to India.

**Sir Vithaldas D. Thackersey:** I was told by a woollen company which is being started in Bombay that they were under such an impression.

Well, if I can be assured that it is treated as raw wool, I have not the slightest objection to withdrawing my amendment.

**The Honourable Mr. C. A. Innes:** My difficulty is this. Wooltops, I understand, are raw wool in a form suitable for spinning, that is carded and prepared for spinning. I should say that tops ought to be treated as raw wool, but I have no reason to suppose that they are not so treated. I wired down yesterday to the Collector of Customs, Bombay, to know exactly how they are treated, but, if Sir Vithaldas Thackersey or Mr. Jamnadas Dwarkadas can assure me that they are not treated as raw wool, I am quite prepared now to accept the amendment.

**Sir Vithaldas D. Thackersey:** I suggest that it be postponed till tomorrow so that we should be in a better position to judge when we get the further information.

**The Honourable Mr. C. A. Innes:** I do not think it is worth while. I am quite prepared to include wooltops as raw wool.

**Mr. Jamnadas Dwarkadas:** I may inform the Honourable the Commerce Member that my information is also this, that Australian wooltops are at present not treated as raw wool. This is only a small change, and hope there is no objection.

**The Honourable Mr. C. A. Innes:** Sir, I accept that amendment.

**Mr. President:** Amendment moved:

'That to item 8 of the schedule the word 'wooltops' be added'.

The question is that that amendment be made.

The motion was adopted.

**Sir Vithaldas D. Thackersey:** I beg to move:

'That after item 8 of the schedule the following new item be inserted:

'8-A. Sulphur (brimstone) imported by the owner of a Factory manufacturing Sulphuric Acid and proved to the satisfaction of the Collector of Customs to be intended for use in such factory'.'

Sir, the sulphuric acid industry is a key industry on which many other industries depend, and it must be the aim of the country to try to get every facility so that sulphuric acid may be manufactured in India as far as possible. Some time ago, Sir Thomas Holland in a speech said that, unless India is able to manufacture sulphuric acid at a cost of 2 pounds or 2½ pounds, India will never be able to start many other factories, depending upon sulphuric acid.

My amendment is a very moderate one. I do not wish to exclude sulphur from duty which is used for other purposes. I only want to exclude from taxation sulphur which is used as raw material only in a sulphuric acid factory and on the same lines as many other articles are allowed duty-free on a certificate being granted by the factory-owner that it is required for manufacturing purposes, and also if he satisfies the Collector that such articles are used for manufacturing a particular article, they should be admitted free, and on that basis I hope the Member for Government will accept my amendment.

**The Honourable Mr. C. A. Innes:** Sir, here again I suggest, both for the consideration of Sir Vithaldas Thackersey and Mr. Jamnadas Dwarkadas who has given notice of a similar amendment, that this might be left over for the Fiscal Commission. It is a little difficult to say at once whether, as Sir Vithaldas Thackersey says, by admitting sulphur free, we should enable a

sulphuric acid industry to be started in the country. If we could get sulphuric acid made on a large scale in this country from bye-products in such a way that we could get sulphuric acid really cheap, then we should do the best thing for Indian industries that could possibly be done. Sulphuric acid is a key industry which leads to a family of other large-scale chemical industries. There is not the slightest doubt about that. But we shall never get that result merely by remitting the duty on imported sulphur. The cost of the sulphur itself is much too great. We can only attain that end by encouraging the working up in India of sulphide ores. That was what Sir Thomas Holland was referring to in his speech. Now, Sir, I do not deny for a moment that there are one or two small sulphuric acid factories in the country but they are small. They make sulphuric acid but the sulphuric acid so made is used only for comparatively minor industries.

It is not an industry of any great importance at the present time, and it would be exceedingly inconvenient for the Customs authorities to have to distinguish between sulphur imported by the owner of a sulphuric acid factory and sulphur imported, say, for ginger manufacture down in the Madras Presidency. And what, Sir, are we doing to-day? We are revising our tariffs solely for revenue purposes, and I do think we ought to be very careful about altering the traiff here, with the Fiscal Commission sitting for other purposes, for purposes of protection. Here again, I suggest to Sir Vithaldas Thackersey that he should let us wait till we have the Fiscal Commission's report before we make this little change.

**Sir Vithaldas D. Thackersey:** Sir, I would point out that it is not a small factory. There is expected to be started a factory to manufacture something like 5,000 tons of sulphuric acid per annum, to be used for the purpose of galvanising sheets, and unless help is given to the industry you cannot manufacture galvanised sheets in India. This factory is proposed to be started within a year. 5,000 tons is not a small quantity, and if Government will not allow sulphur duty free the work may be impeded.

**The Honourable Mr. C. A. Innes:** I am afraid I cannot give any undertaking of that kind. I can merely lay the principle before the House that at the present moment we are altering the tariff for revenue purposes, and with the Fiscal Commission sitting it is wrong for this House to make the change suggested.

**Sir Vithaldas D. Thackersey:** Sir, I withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. R. A. Spence** (Bombay: European): Sir, I move:

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, in item 20 of Part I the words 'and silver' be omitted.'

**Rao Bahadur T. Rangachariar:** Sir, may I point out that this is a very contentious motion which has been put before the House by Mr. Spence and we would like to discuss it to-morrow.

**The Honourable Sir Malcolm Hailey:** I am in the hands of the House, on occasions such as this. I feel sure, however, that the Honourable President will rule that we should wait till we have decided items 80 and 82, which are the substantive points.

**Mr. President:** I agree with the Finance Member that it would be better to take that issue first.

**Mr. R. A. Spence:** I would point out, Sir, that, if it is left in the free list and not removed, there is no use passing a duty on it.

**The Honourable Sir Malcolm Hailey:** That is consequential.

**Rao Bahadur T. Rangachariar:** All of us are in favour of an adjournment.

**Mr. President:** I have no objection to meeting the wishes of the House in adjourning now, except that there is a very long Schedule to be covered to-morrow, as well as clause 1 and two new clauses.

**Rao Bahadur T. Rangachariar:** I think we will be able to finish.

**Mr. President:** I hope the Honourable Member will not disappoint the rest of the House.

**The Honourable Sir Malcolm Hailey:** I understand they are prepared to pass all the rest of the taxation.

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Tuesday, 21st March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President was in the Chair.

### THE BUDGET—THE INDIAN FINANCE BILL—*contd.*

**Mr. President:** We will now proceed with the consideration of Schedule I of the Finance Bill. It has been represented to me that it might be advisable to proceed directly to consider Item No. 44-A on the Amendment List, because on the decision made upon that other decisions rest and, therefore, I think it will be to the convenience of the House to take the proposal immediately to impose a duty of 11 per cent. *ad valorem* on cotton piece-goods.

**Mr. C. W. Rhodes** (Bengal: European): Sir, I beg to move:

'After Item No. 44 *insert* the following item:

'44-A. Cotton piece-goods *ad valorem* 11 per cent.'

Sir, I confess I can best repay the kindness of the House in allowing me precedence to-day by being very brief and to the point, because we have got very important matters to fill in a busy day. I said yesterday all I had to say on the general merits of the case, and I will therefore ask Honourable Members to bear my then remarks in mind and I shall have no necessity to repeat them. But I just want to add this word. The passing of this amendment will not only show that we have the interests of the people at heart even at a sacrifice of vested interests but will raise the dignity of our Assembly and establish once for all, I hope, the doctrine that we are masters in our own House and that we shall regulate our fiscal policy without reference to external interests or Party passions. (Hear, hear.) Sir, I beg to move this amendment.

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): Sir, I beg to move an amendment to this motion, with your permission:

'To substitute the figure '11½' for the figure '11' suggested by Mr. Rhodes for cotton piece-goods, or rather for the figure '15' in the original Bill.'

The other part of my amendment is consequential, *viz.*,

'To remove the Item 'Cotton piece-goods' from the 15 per cent. *ad valorem* list.'

Sir, there are two conflicting questions which face us to-day. The first question is what effect this proposed increase by Government to 15 per cent. of the import duty on piece-goods is likely to have on the economic life of the country. The second question is, camouflage it as we may, there is no doubt that Lancashire is taking advantage of the change of Government in England and is trying to force its way on India. Sir, if I am to be loyal to the principle which ought to animate every politician in this country, I see the strength of argument of my friends that we should not yield and that we should stick to 15 per cent. as proposed by Government and thereby show to the world that we are masters in our own house, to borrow the language of my Honourable friend, Mr. Rhodes. But, Sir, as a practical man, I weigh and weigh the facts and figures which have been given to us yesterday as regards the productive capacity of the Indian mills in the land, *viz.*, they do not supply more than 40 per cent. of the consumption, and the further fact that the cotton industry does not need protection as admitted by our Honourable friends representing the mill industry in this Assembly, remembering also the great effect it will have on the price of cloth, remembering also the bounty which we have made yesterday to the mills in the shape of removing the excise duty, that is, you have relieved the mill owners of the 4 per cent. extra excise duty, and at the same time you keep up the 15 per cent. import duty on cotton goods, and, having regard to the operation of the law of supply and demand, having regard to all this, I feel we cannot regulate the price so as to bring it down within the reach of the poor men of this land; as I said, as a practical man, I am faced with that difficulty; and, therefore, I apply to myself the old maxim, am I to spoil my nose, if not cut it off, in order to spite my

neighbour. (*A Voice:* 'Don't.') I quite agree. I know there will be only one answer to such a question and I feel, therefore, that it will not be right to succumb to sentiment. Sentiment plays a very strong part, no doubt, in the political life of the country. But having regard to the immediate effect it will have, one is tempted to give way in a matter like that. I am sorry if I make a full confession that I am awfully sorry that I am so weak as to give way. (Hear, hear.) I quite appreciate the compliment, but at the same time, Sir, if I were satisfied that the demands of the ryot, the demands of the poor men can be met in a reasonable time, that is to say, if this country is going to embark upon mill industry to such an extent that you are going to supply the wants of at least 80 per cent. of the population in the next two years, I would put up with temporary sufferings which my countrymen would be put to. But what is the chance of such a result? Looking at it from the practical point of view, is our country likely to produce country mill made cloth within the next two years, so as to dispense with foreign cloth? (*A Voice:* 'Certainly.') Well, Mr. Manmohandas Ramji is very sanguine that he will be able to increase it by 50 per cent. and all that. But, Sir, notwithstanding the very huge profits, the much advertised huge profits, said to have been made in Sholapur, Ahmedabad, Bombay and other places, I am ashamed to say that my province is very poor and has not started a mill. My Honourable friend to my left said something which I was not able to catch.

I know, Sir, notwithstanding the huge profits said to be made, that the cotton mill industry, except in Bombay, is not keeping pace with the demand, and therefore I feel oppressed with the fact that the full effect on the consumer will be great, which he will be unable to bear, and I am afraid that it is likely to last for some appreciable period. Having those considerations in view on the one side, and sentiment on the other side, I weighed the question and came to this conclusion that we should merely nominally recognise our rights and the principle that this country ought to be self-contained and ought to be master of its own house as to impose such a tariff as it requires either for protection or revenue, just as the country may require. I want to assert that principle, and that is why I have made this addition of ½ per cent. so as to give emphasis to that principle. This half per cent. is not likely to fall on the consumer to any appreciable extent. Anything above that will fall on the consumer, who, I consider, is unable to bear it. Therefore, I would appeal to my friends—there is a strong difference of opinion among my friends; but speaking for myself, I would ask my colleagues in this Assembly not to take a passionate view on this matter but an unimpassioned one.

One other thing I contemplate and that is this. We want to quiet down and do some constructive work. Are you going to launch the country into another constitutional crisis? We have had enough of it for the last four or five years. Neither the officials nor the public nor the public men have devoted the time and thought they ought to have done in the direction of constructive work in the country. This is sure to launch us into a constitutional crisis, if our Resolution is set at naught, and then we must be prepared to face the consequences. It will have to be followed up not only here in this Assembly but outside by walking out and stumping the country. Is this the time for starting such a question? That is another matter that weighs with me. I recognise the principle, but perhaps I do not recognise it with that strength that my friends behind me would desire. But I recognise the principle and am glad to propose this amendment for the acceptance of the House.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): I deeply regret that I cannot claim to be a practical man in the sense in which Mr. Rangachariar is. I also regret that I cannot take such a dispassionate view as the one for which Mr. Rangachariar has pleaded, but, as far as I am concerned, pleaded in vain. Sir, I submit that this is one of those occasions when one has to speak out one's mind freely and fully. (Hear, hear.) Sir, I wish to know how is it that within the last two days, a great deal of change has come over the opinions and the convictions of a good many of my friends in this House. Sir, I must say at once that there are rumours, vague and indefinite, floating all over the place. We are told that if the House adopts a particular course of action, very serious consequences are to follow. We are told that we shall be brought into conflict with a very important and influential body of men. We are further told that it is possible that this conflict may lead to changes in very high quarters. All that may be true, all that may not be true. It is not for me here to say as to who are the people responsible for starting these rumours. What I say, and say most earnestly, is this: let us not be influenced by rumours: let us not be influenced by considerations which cannot be mentioned here on the floor of this House. (Hear, hear.) If there are any considerations of that kind, I appeal to those who are in possession of the secrets to take us into their confidence and to

tell us publicly what they are. It is possible some of my Honourable friends may know more than others; but I submit, with great respect, that that should not influence the judgment of the House on this occasion.

Sir, my Honourable friend, Mr. Rhodes, has very rightly and very pertinently observed that we ought to show that we are masters in our own house; and, Sir, I am so sentimental that I have not been able to appreciate the logic of my friend, Mr. Rangachariar. While paying lip homage to that principle enunciated by my Honourable friend, Mr. Rhodes, Mr. Rangachariar suggests a course which negatives the principle laid down by Mr. Rhodes. I say the honest course is this; either accept this 11 per cent or accept 15 per cent; this 11½ per cent. has no meaning to my mind. It is too practical for a sentimental man like myself.

My friend has used the word 'camouflage'. This word is one which gained currency during the war, and I am reluctant to use it; but I shall, if I may, without meaning any offence, ask: 'Does Mr. Rangachariar expect to camouflage us by increasing that 11 to 11½ per cent.?' Mr. Rhodes' proposition is a clear and straightforward one. You understand where you are. Mr. Rangachariar says: 'We want to be masters in our own house, therefore don't have 11 per cent. but 11½ per cent.', because there are so many practical considerations which have influenced his judgment. If that is practical common-sense, I bid a final farewell to it for all my life. Sir, I must say, and say quite openly, that, as long as I have the honour to occupy a seat in this House, and as long as I have the honour to remain in public life, I will always stand up for one principle that we, the Government of India and this Legislature, shall be masters in our own house. I do not care in the least what trouble it brings, but I will stick to that principle to the last. (*A Voice:* 'We hope so.) 'Hope so?' You may bring forward your practical suggestions, but the House will adhere, I hope, to that principle. What is the position to-day? In Army matters, the Government of India sends a report, and according to the statements made, the authorities in England are still sitting over it. I suppose in matters of civil administration, the delay in accepting some of our demands might be due to the authorities in England. In fiscal matters, what do you find? Till the day before yesterday there was almost a chorus of applause for the firm position taken up by the Democratic Party and I might say, by the National Party. A change has now come—a complete, sudden change, a metamorphosis . . . .

**Rao Bahadur T. Rangachariar:** On this matter the Democratic Party has not committed itself. They have committed themselves only to the excise question.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): I may rise and say, Sir, that on this matter we keep an open mind.

**Munshi Iswar Saran:** The House will very soon find out what the effect of the open mind is. The open mind in many cases is very much the closed mind. Sir, my Honourable friends, Mr. Rhodes and Sir Montagu Webb, said yesterday—and very rightly they said—that we should do nothing to prejudice the decisions of the Fiscal Commission. I entirely and thoroughly agree with them. But, Sir, as far as Sir Montagu Webb and Mr. Rhodes are concerned, they put forward this view yesterday. I should like to ask those who voted against Government yesterday in regard to the excise duty whether they remembered this principle or not. I say, that we are laying down no financial principles for we are merely increasing or reducing a tax for one year only in view of the present financial condition. We are doing nothing which should at all influence the Fiscal Commission. I repeat, we are not laying down any hard and fast principle which should create any difficulty for the members who are sitting on that Commission. As I said before, I do not invite a conflict nor do I welcome it, but if a conflict comes in the discharge of what I consider to be my duty to my country, I will not fly from it. Let the conflict come if it must, let us face it and let us not leave a legacy for our successors in this House. (Hear, hear.) (*A Voice:* 'A bad legacy.') I am not fond of using adjectives. But I shall borrow one from my Honourable friend this time. He says we shall be leaving a bad legacy. I agree. The situation is this—either you have to accept 11 per cent., or you have to accept 15 per cent. This 11½ per cent. is far too transparent a device and it should be rejected.

The question is only between 11 per cent. and 15 per cent. and I say, Sir, that the change in the attitude of many Honourable Members is mainly due—and I challenge anybody to contradict it—to the currency of certain rumours to which I have already made a reference. I say with all earnestness, stick to your position and see what the interests of the country demand. It is no

good saying that we refuse to be dictated to by people outside and in the same breath to accept the dictation. What else is it but a dictation from outside. What else is it but the result of influences which have been brought to bear on some of us? As far as I am concerned - perhaps you are aware that I belong to no Party and I speak on behalf of no Party—I will stick to my position and I will not support the reduction to 11 per cent.

Sir, there is one other remark which I wish to make. I am curious to know the position of Government. Is Government going to accept this reduction? Government itself has proposed 15 per cent. Government has been fighting hard for the increase of taxes and duties for the purpose of getting more revenue and, when a proposal is made for the reduction of 15 to 11 per cent., I only hope that Government will not accept it. If Government accepts this proposal the impression will be created that it has been accepted for considerations quite extraneous to the merits of the question at issue. Sir, very many friends will be anxious to speak on this question and I therefore shall not detain the House any longer. I shall only say one word more. The Honourable Sir Malcolm Hailey the other day in his Budget speech, in one of his flights of eloquence which we have now learnt to admire, said that the world was watching this youngest of Parliaments. I say, Sir, the world to-day will be watching not only the non official Members but also the Government of India. May the Government of India and may the non-official Members of this House so act on the present occasion that this watchful world of Sir Malcolm Hailey may be able to say: 'Bravo! Well done! You have faithfully discharged your duty.' And what is that duty? Not to be cowed down by threats, not to be influenced by rumours, but to stand for India and to do our plain duty by her.

**Rao Bahadur C. S. Subrahmanayam** (Madras ceded districts and Chittoor: Non Muhammadan Rural): Sir, my Honourable and esteemed friend has been so eloquent and so rhetorical on a matter which, when I analyse it, I find very little in. My Honourable friend has spoken in a tone which shows that there is going to be a cataclysm (*A Voice*: 'He never said that') and that he is going to stand on the tide that may arise from it. Well, Sir, all these heroics are quite misplaced at the present juncture. We are dealing with a simple and a very business-like proposition. Now what are the simple facts without rhetoric and without eloquence? The simple facts are: The proposal was placed before us for raising the import duty on cotton fabrics by 15 per cent. and, corresponding to that increase, under an old vicious rule or principle or whatever it may be, an excise duty of additional 4 per cent. was placed. Now, we were unanimous in removing the 4 per cent. excise duty yesterday, I mean practically unanimous. (Cries of 'No we were not unanimous.') When I say this, I suppose I speak correct English. Well, we reduced it by 4 per cent. Now, what happens if you keep the 15 per cent on cloth imported to this country? Who will pay for it? It is the consumer that will have to pay. Who benefits by it? My Honourable friend, Sir Vithaldas Thackersey, and his constituents will benefit by it. When the 4 per cent excise duty was placed, it was put before us that, in order that the profits may not go into their pockets, let the profits come into the pockets of the Government of India. That was the ground on which the 4 per cent. excise duty was placed. Now we have taken the 4 per cent. excise duty off, what is our logical position? Are we to allow money to get into the pockets of these mill-owners who, it is repeatedly stated, are making enormous profits, and take it out of the pockets of the poor in the land? That is the simple position. It is that position that ought to guide us in coming to our conclusions. Incidentally, another question arises about which we have been considering for a good many years. That is the influence of Lancashire animated by its self-interest in regard to the duties on cotton textile in this country. Now, the excise duty was placed in response to a desire or demand from Lancashire. Now, the point is that we want to destroy, that we do not want to keep up, a certain relation which has become the formula between excise and import duty. That formula we want to destroy and thereby show that we are doing the right thing on other grounds. Let it not be understood that we do it in deference to the wishes of Lancashire or the influences which Lancashire might legitimately bring to bear on the Government of India. That is the simple position. It is in that view that this ½ per cent. or 1 per cent whichever the Assembly likes, is proposed to be added. If the Assembly thinks that the ½ per cent. should not be added, we will do the right thing even though we are asked to do it by that other person. Because some other person, who never does the right thing, tells us to do it, there are people in this world who will not do the right thing because that other unnamed person asks us to do the right thing, in order to disabuse the minds of people that we are not acting at the instance of those persons. I do not think there is any

need for all these mysterious references to secret messages, secret influences which my Honourable friend, Munshi Iswar Saran, referred to. I am not aware of any of those things. I take the view of the ordinary man in the street. Here is a duty of 15 per cent. placed on imported cloth. That, I consider, will be a duty which will have to be paid by the man who buys the cloth and wears it, and that would be justified only for the purposes of revenue, and for no other purpose would I support such a duty.

Now, there is another aspect of this question. The mill-owners themselves have said that they do not want any special protection; all that they say is: 'Let us be free let us not be hampered in our work'. That is what they have been claiming. As a matter of fact, this mill industry in Bombay does not need protection.

The other suggestion was that mill industries would rise in other parts of the country if there was a special protection. Well, as to that, we had last year an instance in Madras. A concern was started under the auspices of the Governor, but it died still-born soon after; it did not flourish. There was protection, there was help, but it did not flourish. Industries do not flourish merely because there is protection given to them. Therefore, I consider that this matter may be looked at simply from an ordinary common sense point of view, that is, should we raise the import duty on cotton to 15 per cent. and thereby make the wearer of cloth pay, while all the profits go into the pockets of the mill-owners. That is the simple question. As for these other matters of constitutional intricacies, I am perfectly convinced that there is no such thing. We might reserve all our courage, all our daring, and everything of manliness for an occasion worthy of such courage and such daring. We need not show our courage on a very simple and ordinary matter like this.

**Sir Montagu Webb** (Bombay: European): Sir I feel that I must support the motion before the House (*A Voice*: 'Which motion? There are two motions.',—the motion to reduce the duty on cotton piece-goods to 11 per cent. I do so on quite different grounds to those to which my Honourable friends have already referred. Yesterday, I pointed out to the House that so long as the Fiscal Commission, which is now sitting, have not made their Report, it would be very improper—so it appears to me—and inexpedient for this House to make any changes in the tariff which could in any way be said to prejudge the functions of that Commission. (*Mr. Rangachariar*: 'We want to show our inclination.') The House, during the course of yerterday's debate, recognised this principle so far as to withdraw two minor amendments which I think my Honourable friend, Sir Vithaldas Thackersey, put before the House on the subject of cocoanut kernels and sulphur. They were withdrawn because the Fiscal Commission was sitting and it was not right for this House to prejudge these matters.

Now, if we turn to the introductory speech of the Honourable the Finance Member of the 1st of March last, I find that Sir Malcolm Hailey says:

> 'We are confronted with the fact that the Fiscal Commission is now sitting and, if the needs of our revenues were not so urgent, we should have preferred to wait the conclusion of that Commission's deliberations.'

Sir Malcolm Hailey concludes this paragraph:

> 'In framing our proposals we have, however, endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties. In other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.'

Now, I submit, Sir, that that attitude is strictly correct. If this House increase the excise duties by 4 per cent. they would rightly increase the import tariff by a similar amount. If, as the House did yesterday, they decline to enhance these excise duties, then, I think, this House must in a similar way decline to enhance the import duties. Although I recognise the great urgency for convering the deficit which is looming before us, I nevertheless feel that, if Government are going to maintain that correct attitude towards the Fiscal Commission, which Sir Malcolm Hailey foreshadowed in his Budget speech, they ought to support the proposal to keep the tariff on cotton goods to 11 per cent.

**Mr. Harchandrai Vishindas** (Sind: Non-Muhammadan Rural): Sir, I had no intention of rising, but, after the remarks which have fallen from my esteemed friend and esteemed fellow-citizen Sir Montagu Webb, I feel it my duty to say that I do not subscribe to the principle or proposition which he has tried to lay before us, that is, that because the Fiscal Commission is sitting, we are therefore debarred from exercising our judgment in the matter of taxation. I think that is a very unsound proposition altogether *Sir Montagu Webb*: 'I did not make that proposition') because, if I understand Sir

Montagu Webb rightly, the Fiscal Commission had to take into consideration what are the proper forms of taxation that should be raised in this country and what should not. But, I submit that the functions which the Fiscal Commission are intended to perform are to consider whether to prescribe for this country a policy of free trade or protection ; also to lay down certain principles by which the fiscal autonomy of this country would be governed. To-day, however, we are sitting here to decide the question as to what amount of taxation for one year we should raise. That is entirely different. But, even if it were otherwise, I do not see that any question of prejudice would arise in the doings of the Fiscal Commission by any action that we take here to-day. Why should we not let the Fiscal Commission understand what are the views, what are the principles that guide this Assembly, leaving it open to the Fiscal Commission to come to their own conclusions on their own judgment. If they are influenced by the voice of the Legislative Assembly and by the decision that this Assembly arrives at, so much the better, and I think they would be right in doing so. But, if they do not, there is nothing to compel them to accept the conclusions of the Legislative Assembly in regard to their findings. Therefore, I would submit to this House that too much stress should not be laid upon the fact of the Fiscal Commission sitting now and our decision being in conflict with the Fiscal Commission. The real consideration that should be borne in mind is whether it is in the interests of the country that we should have 11 per cent. or 15 per cent. Now, I daresay that, without in any way paying heed to the amount of heat that has been imported into this debate by Munshi Iswar Saran, and without in any way being influenced or frightened by the bogeys that he has created, I think there is a good deal to be said both on the side of 11 per cent. and on the side of 15 per cent. I quite agree with him that 11½ per cent. or half-past-eleven is a camouflage. I do not subscribe to half-past-eleven. But one great reason which influences me in leaning to the side of 11 per cent. is that suggested by Mr. Rhodes when he gave us comparative figures of consumption at the time when there was a higher duty and when there was a lower duty. It seems that in this particular commodity the law of diminishing returns works very rigidly and very severely, with the result that, although we are now saying we are raising revenue, in the long run it may turn out that we are not. That is an argument in favour of the 11 per cent. At the same time, I am not sure whether, on this particular occasion, after we have raised the duty to 15 per cent., there will be such a reduced consumption as to work out this disastrous result. There is also this consideration whether this 15 per cent. will really affect the consumer, poor or rich. From one point of view I think that, if this import duty on foreign cloth is raised to 15 per cent., surely as a logical corollary it will raise the price of the imported cloth. Now, then, let us see whether that will in any way affect the price of the home-made cloth locally manufactured. I think, according to experience and by all the laws of economy, when there is the same kind of stuff selling in the bazaar which the man in the street cannot discriminate between, the retail dealer always takes advantage of the rise in the price of any other kind of commodity. There is a sympathetic rise; and I am afraid, if you raise the price of the imported article, then the middleman, that is the retail seller—and, for the matter of that, even the mill-producer—will raise the price of his cloth at the same time; so that even if it should be said that the imported goods—I think the Honourable Sir Malcolm Hailey pointed out to us yesterday that the percentage of consumption of imported goods is 40 per cent. and there remains 60 per cent.,—even then, I say that, when that 40 per cent. consumption is taxed, the 60 per cent.-wallah will take advantage of that and raise his prices. That will affect the poor. On the other hand, we have to see whether this opportunity of raising the tax should be altogether given up. That is a consideration in favour of 15 per cent. But, as I have said, if we have regard to the fact that it may not be possible to get all the income we anticipate, if we raise this duty, then, I think, that consideration in favour of 15 per cent. goes out. Taking all the *pros* and *cons*, and whilst repudiating the principle laid down by Sir Montagu Webb about the Fiscal Commission, I think it works out in the end in this sense, that it will be in the interests of the country to have only 11 per cent.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars : Landholders): Sir I beg to oppose the amendment that has been proposed by my Honourable friend, Mr. Rhodes. If this amendment is accepted by the House, I have no doubt that the House will make itself liable to being misunderstood, and rightly too, in the country. It has been said that the productive capacity of our country is small and that, therefore, we shall have to rely upon foreign markets. In the discussion that we have had on the subject so far, it has been brought out that the country is at present able to produce 40 per cent. of the cloth that is required in the country, and that, when the machinery that

has been ordered is received, which will happen soon enough, we should be in a position to manufacture 80 per cent. of the cloth that we require. Even if these calculations be not strictly accurate, one can well imagine, Sir, that in a very near future we shall be able to supply a large portion of the demand for cloth in the country. It ought to be altogether undesirable then to decide to rely upon foreign markets for our supply of cloth. It has been also said that protection is not needed by the cotton manufacturing mills in India. If it is not needed, do not give it. But first be sure that it is not. I feel that it is perhaps not needed by the Bombay mill-owners alone. Everybody here knows that they have been realising large profits. I heard the other day my Honourable friend, the Finance Member, say that no one should object to their realising large profits. Government and the commercial services, too, have at times been realising large profits. I do not in any measure endorse this opinion. It will remain a grievance of the people, and rightly so, that very large profits should be realised by any agencies in India without their surrendering a portion for the benefit of the country. I would tax these surplus profits heavily since the country needs money. If you want to raise money that the country needs, you ought not to cripple the country's resources. If you do not assiduously industrialise India, you may take it from me that you will never be able to make your revenue meet your expenditure. Protection or free trade is not the question now. It has been said that that question should be left to the Fiscal Commission. I am prepared to leave it to the Fiscal Commission. But what has happened is this: A member of the Fiscal Commission, Mr. Rhodes, has intervened and moved that we should reduce the proposed import duty of 15 per cent. to 11 per cent.

**Sir Montagu Webb:** Because the excise has been reduced.

**Mr. S. C. Shahani:** The two should not go together. How can anybody reasonably propose an excise duty on the piece-goods manufactured in India? To my mind it is monstrous to come forward and say: 'Go in for an excise duty because you are levying import duties'. We are entitled to levy import duties. We are entitled to develop our own resources and no one has really any business to intervene and say: 'If you go in for developing your industries, then at the same time make it easy for foreigners to compete with you.' That will be a wrong procedure, altogether wrong, for the country to adopt; and I trust that Indians will soon realise that any proposals suggesting this procedure do not deserve to be entertained even for a moment. The members of the Indian Fiscal Commission should now leave the Members of this House free to decide this question in any manner they think fit. When the Fiscal Commission define their recommendations and present them to the House, they will be duly considered. If after consideration, the House is of opinion that the recommendations of the Fiscal Commission should be adopted, it will adopt them. The present proposal of 15 per cent. import duty is to have force for one year only. After one year it will be revised if it is found that the policy underlying it needs correction. It has been said that the prices will go high in the country. I admit that for some time the prices may go high, but in my opinion it will be a penny-wise-pound-foolish policy not to endure this temporary enhancement of prices. It has been said that some of those who have supported the proposed increase in the import duty in this House have been themselves wearing foreign cloth. Quite true. But in their case it has to be remembered that their wardrobes were replenished before the Indian *Swadeshi* sensibility was reinforced. It is to be hoped that they will not in future go in for cloth that can be manufactured in the country. The cloth that is manufactured in the country is coming into vogue, and I trust that that vogue will go on gathering strength as time passes. If for some time for our industrial development we are required to pay high prices, we should not grudge the payment. The point to be borne in mind is the ultimate effect of this payment. If the ultimate effect cannot but be good, then, I submit, in all humility but with all the strength of conviction based upon some economic knowledge, that we should not hesitate in the least to reject Mr. Rhodes' proposal.

Then I pass on to the consideration of the question of bounty that has, it has been said, been given to the mill-owner in the reduction of the proposed excise.

I think the language here employed is a mistaken language Reduction of the proposed excise duty from 7½ to 3½ per cent. can never be deemed rightly a bounty. As a matter of fact, even the 3½ per cent. that has been imposed upon the cloth manufactured in the country is out of place. If the House had its own way, I feel that the House would not allow this unprecedented excise duty of 3½ per cent. to remain even for a day. Come then to the question of constitutional crisis. Those that are proposing a reduction from 15 to 11 per cent. are stimulating a constitutional crisis. Do you think it

will be easy to throw dust into the eyes of the people? They have known that pressure has been brought to bear upon the Government and through them upon the House from England. That is now an open secret. This pressure should be resisted. If we have got to adopt any fiscal policy, it should be our own fiscal policy and not a policy that is dictated to us by others. At this juncture we should avoid a constitutional crisis. How shall we be able to avoid it? By sticking, I submit, to the proposal of 15 per cent., which is a Government proposal. Verily, the world is watching this young Parliament which has been brought into existence in India. Shall we be right in thinking that the world will miss the undue influence under which this House may go in for accepting this reduction? Not a bit of it. Camouflage it as you will, the thing will become patent to all thinking beings. Instinct is a good guide, but I can assure you that here instinct is duly supported by reason.

**Mr. N. M. Joshi** (Nominated: Labour Interests): It has been said that State finance is a very difficult subject. I have always found it so and I, therefore, during the Budget discussion, made it a point to listen carefully to the speeches of great financiers, such as my Honourable friend, Mr. Rhodes and the Honourable Member from Karachi, Sir Montagu Webb, and others, in order to learn something about it. But, unfortunately, instead of my mind being cleared, I feel some more confusion is being created by listening to their speeches yesterday and their speeches this morning. Sir, when it was a question of salt tax, I think my Honourable friend, Mr. Rhodes, voted in favour of the increase not minding the interests of the consumers. He thought that the working classes of India are very well paid. Therefore they must be taxed. I am not speaking about the condition of the working classes just now. I shall seek another opportunity for that purpose. The Honourable Member from Karachi, Sir Montagu Webb was very anxious yesterday to cover the deficit which the Government has found in their Budget even by levying a salt duty. He thought that was absolutely necessary You may tax the salt and other necessaries of life, but the deficit must be covered. Otherwise, there will be a great disaster. To-day, he is going to leave a bigger deficit uncovered and for what purpose? In order that the Government should maintain a respectful attitude towards the Fiscal Commission, perhaps especially because my Honourable friend is a member of it. I, therefore, feel greater confusion in my mind on account of the speeches of the great economists than getting my ideas of finance cleared Sir, as regards the tax itself, I have always protested against increasing the import duties on the necessaries of life. I am, therefore, glad that from that point of view my Honourable friend, Mr. Rhodes, has moved his amendment. Even last year attempts were made to increase the duty on piece-goods and even at the cost of the good-will of my Bombay friends, I had opposed that proposal. I, therefore, feel that, whatever the reasons may be, it is in the interests of the working classes that the right thing should be done. I do not mind with what motives the right thing is being done. I do not mind if some people in the interests of Lancashire lower the duties on piece-goods and the working classes get the benefit of it. The working classes do not mind with what object the thing is done, as long as they secure their object. Sir, I was astonished to find my friend, Mr. Shahani, supporting the increased duty on cloth, saying that this is a time when we should make a great sacrifice in order to build up our industries. I am always for sacrifice. I want the people of this country to make greater sacrifices than they are making to-day, but I would like that those sacrifices should be made by people who can afford to make the sacrifices such as my Honourable friend, Professor Shahani I would, therefore, suggest to him that, in order to give encouragement to the Indian industry, let us double or treble or make fourfold our income-tax. I am prepared for it and if the Government does it, I shall give my vote most wholeheartedly (*A Voice*: 'On behalf of the Party?') as my Honourable friend says, on behalf of my Party, which is not very strong in this House. Before I close, I should like to know what the attitude of Government is going to be towards this question. Ordinarily, whenever there is a speech made against a tax, up rises the Government Member to give a reply. Unfortunately, we do not find them standing to-day. Are they going to stand up for their revenue or not? That is a very interesting question for us to see. I hope they care for their revenue and, therefore, they will support those people who want the increase in import duty on cloth. Personally, my vote is in favour of either the amendment of my friend, Mr. Rhodes, or of Mr. Rangachariar.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Sir, I have felt some difficulty in speaking to this Resolution because of my friend, Munshi

Iswar Saran. Last year a Resolution was tabled at the instance of the Bombay mill-owners for the enhancement of cotton duties from 11 to 12½ per cent. . . . .

**Mr. Jamnadas Dwarkadas** (Bombay City : Non-Muhammadan Urban) : May I remind the Honourable Member that the Resolution was tabled by Mr. Spence and not by the Bombay mill-owners ?

**Dr. H. S. Gour:** My friend, Mr. Jamnadas Dwarkadas, need not remind me of it. Probably he will remember the lobbying to which he was himself a prominent party, and I have before me a report of the discussion in which he took so prominent a part. He was, if I may say so, the second father of that Resolution.

**Mr. R. A. Spence** (Bombay : European) : May I protest against the insinuation that I was lobbied by my Honourable friend in proposing that Resolution ? I deny it.

**Dr. H. S. Gour:** I am glad, Sir, I have made at least one convert to the cause of rational taxation. Now, Sir, when this Resolution was moved, we on this side of the House, speaking for and in the interest of the general tax-payer, stoutly and boldly resisted any attempt made on the part of interested mill-owners to raise the revenue by the increase of the import duty from 11 to 12½ per cent., and I am glad to find, and I have refreshed my memory, that Munshi Ishwar Saran voted with the majority, and a strong majority it was because those who were in favour of the increase of the cotton duties were 21 and the majority of 56 included my Honourable and esteemed friend. Now, Sir, the principle which we then enunciated is a principle which I wish to reiterate here to-day. We said last year that the primary and sole function of the Members of this House on the occasion of passing the annual Financial Statement is to direct and concentrate their attention upon the sole and single issue as to what are the requirements of the country during the next 12 months. We do not wish to digress from that plain purpose and to divert our thoughts to the larger questions of protection and free trade, and to the motives of the Government of India or of the British Cabinet. The moment, Sir, we go into those large questions, we forget and lose sight of the main issue for which we sit here on this particular occasion. I hope Honourable Members will clear their minds of all cant that has been spoken this morning about the threatened constitutional crisis, about the threats and menaces given by the Lancashire people, and about what the Britsh Cabinet may do with regard to the import duties. I hope Honourable Members will address themselves to one question and one question only. Suppose, for the sake of argument, that the Honourable the Finance Member had proposed to raise the duty, let us assume, upon Motor cars or, let us say, upon any other import from 11 to 15 per cent., and suppose Mr. Rhodes, speaking on behalf of the people of India, were to table a Resolution and to move for its restoration, for the restoration of the figure of 11 per cent., what would have been the verdict of the non-official Members of this House? Would they have voted with the Government and said: 'You want 15 per cent.; we want to enhance these duties because we want to make every motor car in this country dear; we want you to increase it, to have more revenue because we know as a matter of fact that you are an extravagant Government, you have been wasting the country's money in military adventures and in excessive civil expenditure'. Will that be a logical attitude, I ask, for the Members of this House to take? And how can you justify, how can my friends, Professor Shahani and Munshi Iswar Saran, justify their attitude this morning with their pledges, with their constant and repeated pledges, given for the last two or three days, for the consistent reduction of civil and military expenditure and for the reduction of the taxes on the other articles proposed to be increased by the Finance Bill ? I ask you, Sir, how is the conduct of the Honourable Members consistent with what we have heard to-day ? I can only imagine that, when on the previous day they cut expenditure down and they vetoed the additional taxes, they were inspired by the sole and single object of seeing that the expenditure was at the minimum and that taxation was equally at the minimum. If that was their intention during the last three or four days, what has transpired, I ask, within the last 24 hours for my Honourable friends, Munshi Iswar Saran and Professor Shahani, now to take up the cudgels for enhanced taxation ?

**Mr. S. C. Shahani:** It is in the country's interests.

**Dr. H. S. Gour:** My friend says, this is in the country's interests. I think that the Professor would not have forgotten that memorable parable

immortalised by Aesop which we know as the story of the wolf and the lamb. I think it was the wolf who told the lamb: 'You are a very good fellow, but dire necessity compels me to swallow you.' My friend having no better argument to adduce, my friend having no justification for the increase of the already onerous burden which has been placed upon the country, pleads justification for what he says is to the benefit of the country. Well, Sir, in a few minutes I will prick that bubble. Now, Sir, I have said before, and I repeat it, that we must address ourselves to this question on the sole and single ground on which we want this money. I submit it would be inconsistent with our policy of a general retrenchment, it will be inconsistent with our policy of giving the Government as little as we possibly can with a view to use pressure upon the Government to impose economy in their various Departments, civil and military, I say it will be inconsistent with our policy which we have pursued, and in pursuance of which we have cast our votes here before, I say it will be inconsistent with not only the policy but with the principles which the Democratic Party and the National Party have consistently pursued. (*A Voice:* 'No, no, it is not a Party question.') Some of my friends are suffering from short memories. (Laughter.) I was telling them, I was reminding them what they have done in the past and of which a faithful record, I submit, has been made in indelible ink. I am not telling them what they should do to-morrow or to-day, but I am reminding them of what their policy has been in connection with the Budget and its accompanying Finance Bill.

**Dr. Nand Lal:** (West Punjab: Non-Muhammadan): Don't bring in the Party question.

**Dr. H. S. Gour:** I say that policy has been the policy of general retrenchment and ruthless economy. If I am right, then I ask my Honourable friends on what grounds can they justify a departure from that policy. Now, Sir, my friends, Professor Shahani and Munshi Iswar Saran, tell us that we justify this increase upon the ground that it is absolutely necessary in the best interests of the country. Let me, Sir, ask the Honourable Members of this House how it is necessary in the best interests of the country. Professor Shahani will tell us, and he has in fact told us to-day, that the increased burden which the Government propose to place upon the country will recoil upon the tax-payers of this country, and the price of cotton goods, already high, will become higher in the immediate future. (*Mr. S. C. Shahani:* 'For a short time only.') But he says it will be for a short time only, and thereafter, I presume, we shall enter upon the millenium. The millenium, Sir, will come for the mill-owners, but not for the poor half-naked consumer. It is for him I speak; it is for him I submit that Mr. Rhodes has been speaking; and it is his cause that is dear to him and to me. We are not here to legislate for all time; we are here legislating for the next 12 months; and can it be conscientiously said that, during the next 12 months, there will be such a revolution in the mill industry of this country that the prices of cloth will come down, as is prophesied by Mr. Shahani? I venture to submit, Sir, that it is utterly impossible. Consequently, if the immediate effect of this enhancement would be to send up the price of cotton goods throughout the country, would it not, I ask, increase that trouble? To use the language of my friend, Mr. Jamnadas Dwarkadas, who is, I understand, the sponsor of this increased taxation, and who has been applauding . . . .

**Mr. Jamnadas Dwarkadas:** Sir, if I may be permitted to correct my Honourable friend, I believe that the increased taxation is a Government proposal and I am not responsible for it.

**Dr. H. S. Gour:** . . . . . who has been, Sir, most jubilantly applauding Professor Shahani's speech, would it not be, I ask, a messenger of revolution in every cottage, in every homestead, in every village in this land? (*Mr. Jamnadas Dwarkadas:* 'Nonsense.') He who spoke for the dumb millions of this country in a voice vibrant with feeling and in a voice full of conviction, now feels that the interests of the dumb millions of this country will be best served by increasing the cost of their clothes.

**Mr. Jamnadas Dwarkadas:** I must protest, Sir. I have never expressed any such opinion. My Honourable friend is insinuating all these things.

**Dr. H. S. Gour:** Sir, I am delighted to hear that my friend dissents from the view I impute to him.

**Mr. Jamnadas Dwarkadas:** I neither assent nor dissent.

**Dr. H. S. Gour:** I hope, Sir, that he will follow a more consistent policy. If he does so I still have hope for him. And, Sir, in appealing to him I also appeal to my other friends, the mill-owners of Bombay, not to consider this

question from a parochial point of view, but to look at it from the broad statesman-like view of the best and the sole interests of the consumer. (*Mr. Manmohandas Ramji :* 'What about the Fiscal Commission?') Now, Sir, my friend, Mr. Manmohandas Ramji, whose vote I covet equally with the vote of Mr. Jamnadas Dwarkadas, asks me a question, the reply to which, I am perfectly certain, will make him another convert to my view. He asks me, Sir, in an interjection which I welcome from him, why the Fiscal Commission was appointed. I say, Sir, that I did not appoint the Fiscal Commission, but, judging from the reports I have received, reports which my friend must also have received, the Fiscal Commission was appointed to examine the whole Imperial policy in regard to free trade and protection and to find out what is best in the interests of the country, that is to say, of India. So long as that matter is *sub judice*, I am perfectly certain that this House will not pronounce upon any particular questions which may hereafter embarrass us in criticising and examining the decision of that Fiscal Commission. But my friend, Mr. Manmohandas Ramji, could not but have listened to me in vain if he has not understood what I said. I said that I did not base my opposition to the Government motion on the ground of the Fiscal Commission ; I do so on the short ground that it means a reduction of taxation and further retrenchment and economy. This is in consonance with the policy which we were pledged to, namely, to give the Government as little money as possible, so that they may impose economy and retrenchment. I, therefore, ask the House to support Mr. Rhodes. I do not ask the House to support Mr. Rhodes on the somewhat adventitious ground that the Fiscal Commission is now in session and we must await its report. I do not, on the other hand, ask this House to negative this amendment of Mr. Rhodes on the ground that in the far off dim distance India might benefit from the development of the mill industry. (*Mr. S. C. Shahani :* 'In the near future.') My friend, Mr. Shahani, says it will develop in the near future. Is he prepared to say that the 40 per cent. of the total consumption of cloth which we now spin for the people will increase to 100 per cent. in the next 12 months ? If he does so, he is a bold prophet. He says : 'No, it will not'. Then, Sir, if it will not have the effect of increasing the outturn of the mills to that extent, I submit he has no case at all. The sole ground upon which he supports the imposition of this duty by Government is the ground that the mill industry in this country requires development and that it will develop that industry in the near future. Now, Sir, I say to Professor Shahani, as I say to the Honourable Members of this House, our immediate purpose is not to discuss the general question of protection and free trade ; nor are we here to overhaul the industrial policy of the country. We are sitting here to find money for the Government to carry on within the next 12 months. That was the salutary principle which the Honourable the Finance Member enunciated last year ; that is the principle which he has enunciated and re-enunciated in answer to various proposals from various parts of this House. I ask Honourable Members once more to remember that, when Colonel Gidney moved a Resolution in this House for the levy of an import duty on patent medicines, the Honourable Finance Member said : 'Our duty is to find money.' And because there are certain quack brands and certain nostrums which come to this country of a poisonous and mischievous kind, that is a different matter and cannot be considered in conjunction with the Budget debate. I, therefore, submit, Sir, that these questions, which my friend, Professor Shahani, and my friend, Munshi Iswar Saran, have raised in this House, are not germane to the discussion.

**Mr. B. S. Kamat** (Bombay Central Division : Non-Muhammadan Rural) : Sir, I rise to a point of order. We have a large agenda before us. I believe my friend is exceeding the time limit.

**Dr. H. S. Gour :** One word more and I have done. Honourable Members will remember, Sir, that I gave yesterday notice of an amendment abolishing or rather opposing the increase on the kerosene duty. That means a saving of Rs. 90 lakhs. Now, the increased cotton duties from 11 to 15 per cent. are estimated to bring in Rs. 1,41,00,000, and, if we accept Mr. Rhodes' amendment, we shall lose Rs. 1,41,00,000. If, therefore, we accept his amendment and give up the kerosene amendment (*Voices :* 'Why', and 'What right have you ?') My friend asks me what right have I, and my answer is that I am the author of that amendment. (Laughter.) (*A Voice :* - 'You cannot withdraw without our permission'.) When that comes, you better refuse it. Then comes the next question, are we to accept Mr. Rhodes' amendment or are we to accept Mr. Rangachariar's amendment? Now, as regards Mr. Rangachariar's amendment, there has been a great deal of misunderstanding. Mr. Rangachariar is perhaps partially

responsible for it Honourable Members will find that there has been an increase in the stores used by the mill industry and that would entail an extra burden upon the mills of Bombay and elsewhere. That, I submit, is our best justification for raising the import duty by half per cent. We shall lose, I understand, between Rs. 10 to Rs. 12 lakhs and that would be the amount which the Government will receive from the increased import duty upon mill stores. Sir Vithaldas Thackersey thinks that I am right, and, I submit, therefore, that we shall be restoring the balance between the mill industries by accepting Mr. Rangachariar's amendment, (*Mr. N. M. Samarth:* 'Do you accept Mr. Rangachariar's amendment?'.) Yes, *viz.*, by reducing the Government proposal of import duty of 15 per cent. to 11¼ per cent. (Hear, hear.) That, I submit, would amply justify the position that we take up in this connection.

As regards Lancashire, I have studiously avoided saying anything at all. I consider any proposal coming from that side as resorting to the use of constitutional power for the purpose of over-awing this Assembly with the supremest contempt. I submit that India has complete fiscal autonomy, which has been vouchsafed to it, and I do not think this Assembly can be terrorized or overawed by any pressure that comes from that quarter. (Hear, hear.) We, I submit, should not allow our judgment to be influenced by these extraneous considerations. At the same time, Sir, I think it behoves us as representatives of the people of India not to bring in those considerations in the deliberation of the question, which, I submit, would be not only irrelevant but is at times liable to warp our judgment. Let us look at this question from the sole and single point of view of what is necessary for the purpose of carrying on the administration of this country for the next 12 months. I, therefore, strongly commend to the House the acceptance of my friend, Mr. Rangachariar's amendment.

**Mr. Jamnadas Dwarkadas:** Sir, I have been listening with rapt attention to the wonderful eloquence of my Honourable friend, Dr. Gour. (Hear, hear.) I have always thought that my Honourable friend, Dr. Gour, is undoubtedly a great lawyer and a great speaker, but I never knew that he would also play the rôle of a thought-reader. (Laughter.) At the same time, I congratulate myself that, when some of the interesting speeches on this question were being made, Dr. Gour, instead of doing his duty of listening to them, thought that I was so much worthy of his attention that he watched the movement of my hands to see whether I was applauding or not and tried to read what was passing in my mind. Now, whatever I may think of my Honourable friend, Dr. Gour, as a politician—and I am not going to express my opinion here (Laughter), I do not think my friend has proved a successful thought-reader, and my advice to him, if I may give him a piece of advice, is to mind his own business and not to try to peep into other people's thoughts.

However, Sir, the question that is being debated here is undoubtedly a question of vital importance. I must say at the outset that the whole responsibility for bringing about this unfortunate question rests on the shoulders of the Government *(Mr. N. M. Joshi:* 'They have not spoken yet'), I say for bringing about this question. There is no doubt that, if they really wanted to make the work of the Fiscal Commission bear fruit, they could have waited and not brought forward any proposal of interfering with this question of tariffs. They knew full well that it was a question on which Indians feel and feel very keenly. I believe Mr. Montagu said last year to the Lancashire deputation that he could never dream that any Member of the Indian Legislative Assembly would ever agree to increasing the excise duty. When Mr. Montagu, living so far away in England knew that, the Government of India knew very well that the Indian Members of the Legislative Assembly would never agree to any enhancement of the excise duty. They bring these two, the enhancement of the excise duty and the enhancement of the import duty and I think they are responsible—they cannot escape the responsibility—for bringing about this unfortunate question at this moment. Now, Sir, what is the position? The enhancement of the excise duty has been rejected by the House (*A Voice:* 'And rightly'), and rightly rejected, no doubt; and now the question is, now that we have rejected the enhanced excise duty, whether we should agree or not agree to the enhanced import duty. Now, I am in the same difficulty in which my Honourable friends, Mr. Rhodes and Sir Montagu Webb, are. I am a member of the Fiscal Commission. I do not want to commit myself as to what I think about this question, *viz.*, what is the import duty that we ought to impose for protective purposes. I do not want to commit myself to that at all. At the same time, I want to point out clearly to this House that, having gone into this question a little more deeply than my friend, Mr. Rangachariar, and those who think with him have gone, I am not prepared to accept the statement that they have made that

the raising of the import duty is likely to cost so much to the consumer as would justify their indulging in these eloquent appeals to people, asking them not to raise the duty. (Hear, hear.)

I am not prepared to accept that. It is a matter for the Fiscal Commission to consider, and the Fiscal Commission will give their considered opinion on the subject. I do not, therefore,—whatever the House might decide on this question, whether 15 or 11 per cent.—I do not want the House to commit itself to the statement that has been made by either Mr. Rangachariar or Dr. Gour, who, I may say in passing, does not seem to know much about the subject. (Laughter.) I leave aside the question of protection or free trade altogether. I leave aside the question as to whether the duty falls heavily on the poor consumer in India or not. I come to the plain and simple issue; Government have made this proposal for the purpose of obtaining revenue. Are we going to grant them this proposal or are we not? No one will be more pleased than myself; I can assure this Honourable House that no one will be more pleased than myself if it were possible for Government to forego this additional revenue, so as to encourage the policy that we have laid down of retrenchment if they promise reduction in the expenditure. So far as I am concerned, I want to give prominence in my remarks to what has been most eloquently and justifiably stated by my Honourable freind, Munshi Iswar Saran. There is no doubt that, in arriving at our decision, I think it would be difficult for us to come to an impartial decision because of the fact that across the seas in England there has been going on an agitation which has undoubtedly caused irritation here. I want to lay down this, as my Honourable friend, Mr. Rhodes, has already laid down, that we are masters in our own house, that we are not going to follow a policy or give up a policy because Lancashire wants us to do so. I want from my seat in this House to let the British Parliament know that, Mr. Montagu having established this convention in accordance with the Report of the Joint Select Committee of Parliament in 1919, India is as much entitled to fiscal freedom as other Colonies. If the British Parliament, even if the lugubrious *ex*-Governors of inglorious and inconspicuous careers, or an ex-Viceroy, interfere with this right, that we in this House and India hold sacred, they will be responsible for creating a situation which I am sure, they will deplore. (Hear, hear.) I want this assurance, whatever may be the decision of this House on the question, whether 11 or 15 per cent, I want the Government of India to give us this assurance, because it affects their reputation as much as it affects us, that in our fight for obtaining fiscal freedom and securing our rights, they will stand by us shoulder to shoulder and not tolerate any interference from outside. That is the main issue for which I am fighting. I am not going to commit myself to what I want, but, at the same time, I think this issue must be made clear by the Government of India.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I want to ask the Honourable the Finance Member what the attitude of the Government is going to be on this matter.

**The Honourable Sir Malcolm Hailey** (Finance Member): Sir, I so frequently have to declare the attitude of Government in order to provide my Honouroble friends opposite with the opportunity of attacking that attitude that I am this morning determined to enjoy what is an unusual pleasure to me, namely, hearing my Honourable friends declare their own views. I have made up my mind on this subject, but wish first to hear what my Honourable friends have to say on the question. (Hear, hear.)

**Khan Bahadur Maulvi Amjad Ali** (Assam: Muhammadan): Sir, I am not an orator, but, after having heard some speeches, and after having considered the vital importance of the subject, I could not help rising on my legs to say a few words.

Sir, I am now going to attack three speeches at least (Cries of 'Oh!') as being inconsistent. The first speech is the speech of Mr. Rhodes. That his speech is altogether inconsistent has been shown by my friend, Mr. Joshi. Well, Sir, a gentelman who is found to be averse to the reduction of the salt tax cannot be said consistently to be sound in his motion for the reduction of this tax. So I submit that his speech is inconsistent and does not commend itself to any consideration of this House.

The second speech is the speech of my friend of the Democratic Party, Mr. Rangachariar. Well, I have altogether failed to understand the wisdom of his motion. Let it be 11½ per cent. What difference does it make. At least I, and the vast majority of the House do not think that it makes any difference. My last attack is on the speech of my friend, the learned Dr. Gour. The learned Dr. Gour seems to me very eloquent in his speeches always, but I regret

very much to point out that his speeches sometimes contain nothing. (Laughter.) My friend, Dr. Gour, is no doubt a learned man, no doubt an eminent lawyer, and an eminent writer of law books ; but in my humble opinion the speech which he has made to-day in this House shows in unmistakeable terms that the gentleman has no insight whatever into the matter with which he claimed to be dealing in this House. (Laughter.)

My friend, Dr. Gour, in his highflown speeches unfortunately has always failed to make any impression upon me and has failed to make any impression to-day as well. With these remarks, Sir, I pass on to the important subject. (Laughter.) Sir, whether it is 15 per cent. or whether it is 11 per cent. it makes no difference whatsoever so far as the interests of the poor go. Their cry is a cry in the wilderness always. If it is raised to 15 per cent., most of the mill-owners will make much out of it. They will increase the price of their goods and it will very seriously affect the condition of the poor people. If it is reduced to 11 per cent., it will equally affect the pocket of the poor masses no doubt. It will not at all improve their miserable position. They are thus between two fires and which fire they are to choose—whether 15 per cent. fire or 11 per cent. fire? That is to be decided by this House. Now, I have given the matter my best thought and am of opinion that they should choose 15 per cent. fire. (Hear, hear.) Sir, Dr. Gour (I have come to this subject again) flatters himself with the idea that he is the leader of the Democratic Party. If I mistake not, I have reason to believe that he is the father of that Party (Cries of 'No, no.') I speak, of course, subject to correction. (Laughter.) I cannot understand how he, being a man of such high intelligence, fails to grasp that the 15 per cent. tax will do at least some good to the country. Am I to make him believe this, am I to explain this to him, am I to become his teacher in this matter? Does he not see that thereby it will make the people learn indigenous industries? He does understand all this. But then he has his own policy. I have been studying him all through since I have been here and I have found him '*dash*'. (Laughter.)

**Rao Bahadur T. Rangachariar**: I do not know if my Honourable friend will indulge himself any further in such directions. I seriously ask this of my Honourable friend. When he says 'dash' it is really an insinuating 'dash'.

**Khan Bahadur Maulvi Amjad Ali**: That 'dash' means, Sir, playing fast and loose in the matter of policy. Now, Sir, instead of wasting time over this subject which has already engaged the attention of this House, I oppose the motion.

Now I pass to another subject. I have been a devoted adherent of the British Government all through my life (Hear, hear), and have been following the principle of the Government always firmly and faithfully. After the presentation of the Budget to this House, I found that the Government was attacked from all quarters with all sorts of remarks, namely, 'bankrupt Government,' 'insolvent Government,' 'deplorable Government,' and so forth and I found also that there was a cry all through that the Government was not treating well the people of this country by imposing heavy taxes simply for the purpose of building up a strong army in the Frontier and therefore the military expenditure must have big cuts. That was the cry all through. To-day I find, if I mistake not, that Members of this House have reason to understand that the Honourable the Finance Member would come down to accept 11 per cent. I feel in my heart of hearts that that is never the position of Government. But if it is otherwise, then I must be permitted to say that the Government of India should be always consistent. The consistency of the Government of India would keep up not only their own prestige but also the respect of the persons who are their adherents. If to-day the Honourable the Finance Member comes down and accepts this 11 per cent., how would the deficit which I am told is one crore and forty lakhs be met? The other day the Honourable the Finance Member stated that it was difficult, after due consideration and after due scrutiny, to cut down any expenditure. But to-day, if he is going to come down from 15 per cent. to 11 per cent., thereby making a deficit of one crore and forty lakhs, will the Honourable the Finance Member explain how he is going to meet that deficit? What is the reason underlying this change if any. There must be some reason underlying it. If the Government is inclined to yield to the wishes of this House, I must say that there is some underlying reason. That reason is unknown to me and to the people of my class who are the fast adherents of Government. Sir, I submit very sincerely in the interests of the Government of India and in the interests of the faithful subjects, that the Government of India should not be over-awed by the adverse opinion of the Party people and by any number of oppositions, and should not allow themselves to be influenced by the interested opinions of those people but they should adhere, strictly

adhere, to the principles which have once been laid down after due consideration by the Government of India. If to-day it is found that the Honourable the Finance Member accepts 11 per cent., the Government of India will be and must necessarily be criticised for their inconsistency and the persons who so faithfully follow the Government will consider hereafter that it is a dangerous thing to follow the Government always. I have bitter experience of this nature and I am afraid some sort of thing is being worked up. I do not know what that is ; otherwise, why should the Government of India come suddenly down to 11 per cent ? For the increase of revenue there is this tremendous fight going on between the Government on the one side and some Members on the other, I find that there is tremendous opposition in this House over the military expenditure. I submit, Sir, that there must be 15 per cent. at all cost. Even if the House accepts 11 per cent. by majority, I submit, and submit very respectfully, that the Government should not yield an inch to this proposal and must stick to 15 per cent. With these words I oppose the motion.

**Dr. Nand Lal:** May I rise to a point of order, Sir ? If a Member of this Honourable Assembly rises fifteen times and is not able to catch the President's eye, who is responsible for that ? I raise this point as a point of order. I want your decision, Sir, because my province will come down upon me. Yesterday, I got up twenty times and could not catch the President's eye, and, yesterday, some of my friends, who were in the gallery, told me that the whole province would call upon me to give explanations why I did not take part in a most important debate.

**Mr. President:** I think I had better give the Honourable Member an opportunity of withdrawing those last remarks, which suggest a reflection on the behaviour of the Chair.

**Dr. Nand Lal:** I will not withdraw.

**Mr. President:** The Honourable Member must be aware that he was using something like a threat just now. If he uses a threat to the Chair, well, I need perhaps only give him a warning. (Cries of 'Withdraw, withdraw'.)

**Dr. Nand Lal:** I do not withdraw at all. This is not a threat at all to the Chair. This is my humble submission and I am not prepared to withdraw what I said. (Cries of 'Withdraw, withdraw'.)

**Mr. President:** The Honourable Member does not seem quite to understand what he allowed himself to say a moment ago. It is a matter of common Parliamentary experience, and the longer the Honourable Member sits in this Assembly the more he will realise it, for it happens to every Member who engages in public life, that it is not in the power of the Chair to give every Member all the opportunities which he desires. If the Honourable Member will remember that, and, if he will look up his name in the index to the proceedings of this House for previous Sessions, I think he will find that he has no complaint against the Chair in the matter. ('Hear, hear,' and cries of 'Withdraw, withdraw.')

**Dr. Nand Lal:** If I may be permitted to offer my submission (Cries of 'Order, order') I am not a child to be commanded by you (addressing the Member who interrupted); I have to perform my duty. (Interruptions.)

**Mr. President:** I wish the House would leave the Honourable Member to address the Chair.

**Dr. Nand Lal:** It is a pity that Members instead of addressing the Chair have begun to address me. (Laughter.) I would very respectfully submit that I have the greatest regard for the Chair and I am one of those who always very honestly and sincerely obey and adhere to the rulings of the Chair. (Hear, hear.) I never interfere and I never interject while other Members are speaking. But whenever there is an important question in which my province is involved, I feel bound to stand up and ask the indulgence of the Chair. My complaint is that I got up on various occasions, when I was prepared to take part in the debates, especially in the debates in which my province was involved, but I see that I was unable to catch the President's eye. This is my submission ; this is simply a constitutional submission ; I do not think I have done anything wrong.

**Mr. W. M. Hussanally** (Sind : Muhammadan Rural) : I entirely dissociate myself from the remarks made by my Honourable friend, Dr. Nand Lal. He is not the only man who has been getting up ten or fifteen times and has not been able to catch the eye of the President. It is, in fact, a common,

every-day experience, that several speakers do rise every time, and it is simply impossible for the Chair to allow every one of us to speak. I myself am sailing in the same boat as Dr. Nand Lal has been. Even to-day I have risen no less than half a dozen times, as my friend here will bear witness and have been unable to speak; but that is not the fault of the Chair. If Dr. Nand Lal and my Honourable friend, Dr. Gour, will only have a little pity upon us and curtail their speeches, I think every one of us will have a turn to speak. I say the same thing to my friend, Mr. Amjad Ali, on the other side of the House, who has also taken an inordinate time this morning in speaking.

**Mr. Harchandrai Vishindas:** I want to add to some of the remarks which have fallen from my Honourable friend, Mr. Hussanally, and point out that Dr. Nand Lal has gone out of his way in saying that it is with the object of pleasing has constituency that he is speaking here and that he is being blamed by the province of the Punjab for not taking proper part in the debates. I entirely agree with the Chair that Dr. Nand Lal has taken a much greater part in the debates than many of us have done in the last Session. Unfortunately, a few days ago, he was absent.

**Mr. President:** I cannot allow that remark to pass. I pointed out to the Honourable Member for the Punjab that he would see that, so far as he was concerned, he had no quarrel with the Chair regarding previous Sessions. The Honourable Member from Sind seems to suggest that there was some favouritism on the part of the Chair.

**Mr. P. P. Ginwala** (Burma: Non-European): The Honourable the Finance Member paid us a compliment when he said from the other side of the House that he did not usually intend to speak until some of us had finished. He also expressed the desire that we should give him a treat to-day, this not being a Party day, by giving expression to our own individual views as opposed to our Party views. Some of us are going to take him at his word and do that with a vengeance. I hope that the Honourable the Finance Member in his turn also will give us the pleasure of listening to his own personal views in the matter rather than the views of the Government. We see no distinction between ourselves and Honourable Members occupying the Government Benches. We have the same sort of conscience in dealing with Party matters as the Members sitting on the Government Benches have in dealing with Government questions. On Party questions we are here to give expression to the corporate opinion of the Party, which correspond to the Governor General in Council, whose opinion the Honourable the Finance Member expresses personally when he speaks on behalf of the Government. But to-day I speak as an individual and I should like to know sometime to-day, in the course of the debate, what the Honourable the Finance Member as an individual has to say in respect of the question before the House, apart from the views of his Government.

This morning I felt very much like our friend, Sir Roger de Coverley, as the argument was developing. You may remember, Sir, that he was in the habit of reading two papers every morning, two papers expressing different views. When he got the first paper he agreed with that paper, when he got the second paper he agreed with that one; and I went on doing so, agreeing with the first speaker, then with the next, until Dr. Gour spoke. And then—mind, Sir, this is not a Party occasion, so I am free to express my opinion—I made up my mind entirely against Dr. Gour (Laughter), and I came to the conclusion that, after all, the first thoughts of the Government expressed in the original Finance Bill and our own first thoughts to support the Finance Member in his proposal to have a 15 per cent. duty were the best. Of course, if I was in the habit of quoting Dr. Gour to show his inconsistency, I could do it every day in this House; but I am afraid I can remember nothing that is worth quoting of what Dr. Gour has said. But if the House remembered it, I assure the House that on every occasion the House will be able to demolish Dr. Gour by quoting Dr. Gour against himself. Therefore, Sir, there is no point in Dr. Gour telling the House that we have been inconsistent. All of us are inconsistent. Our friends on the Benches opposite are inconsistent every day. They say one thing in the morning; the circumstances change in the afternoon and they say another thing. With reference to this very question the Honourable the Finance Member said one thing last week, and is going to say another thing to-day. It is not they who change; it is the circumstances which change and which account for inconsistencies. But, so far as we are concerned, I submit we have not been inconsistent. We have been told that we cut down the demands with a heavy axe, in order to reduce expenditure and now we are reminded that, when there is a proposal to cut down the revenues, we are opposing it.

I deny that we cut down expenditure for the sake of cutting down expenditure. We did it because the interest of the country required that we should do it. We are acting on the same principle now. We feel that the interest of the country does require the 15 per cent. duty, and that it is preferable to the 11 per cent duty, specially having regard to the present circumstances.

The plain issue before the House is this—I do not shed any crocodile tears on behalf of the consumer like my Honourable friend, Dr. Gour, and his supporters ; nor do I mind if the rich mill-owner on my left makes money. He denies that he makes money, but even if he did make money, he is entirely welcome to it (so far as we are concerned). But we have made up our minds that India is going to be a protectionist country, and that means the consumer must at first necessarily suffer. Whether he suffers now or six months later makes no difference, to those who hold my views at any rate. But there is another question involved in this issue. Last year, this very point was raised in the House of Commons and it was then, I believe, decided more or less that when on a question of this kind the Executive Government agreed with the Legislative Assembly, Parliament was not to interfere but was to accept the decision of this House as the decision of the people. And we were allowed last year to impose this duty of 11 per cent. That was a vindication, or rather, a recognition of the principle that this country had the right to manage its own fiscal business. (Hear, hear.) A principle had been established, a principle that was not to be interfered with by Parliament when the Legislative Assembly had agreed with the Executive Government on any question. Now, Sir, if this year no proposal had come forward in the first instance from the Government to increase the duty, both the excise duty and the import duty, I should have taken no exception, because that principle would not have been affected in any way. But the proposal has come forward from the Government on the ground that they wanted the revenue from this increase; and if the Government does not now stick to the proposal with the approval of this House, then, I submit, Sir, that that principle is destroyed. (Hear, hear.) I have no fear of any constitutional crisis, as I need hardly tell you, with my past record in the House, brief as it may be, or ignoble, if you like as it may be, I am not afraid of a constitutional crisis. If a constitutional crisis has to come, let it come. The best thing is to meet it in the proper way, not to avoid it, because it is bound to come sooner or later on this or any other issue. We want to know from Parliament whether it does really mean that we should obtain the reforms that Parliament told us we were going to get ; we are going to put Parliament to the test and we want to know whether Parliament is going to trust its own judgment or whether a small section of Parliament represented by Lancashire is going to coerce that great Parliament to accept its judgment. That is the plain issue before the House, and now is the time, I submit, to test that issue and to put Parliament to the proof. The question has been frequently asked whether Parliament was sincere on this point. If Parliament now finds itself unable to carry out its intentions and give us what it says it is willing to give, we shall know that the Reforms are not a great success. If, on the other hand, Parliament accepts our decision, as it must if it is sincere, we shall be in a position to say that the Reforms have been a success to that extent. Therefore, Sir, I would vote certainly against the amendment moved by Mr. Rhodes, and also against the amendment moved by Mr. Rangachariar, because, though the latter recognises, whilst the former does not, the principle which is at stake, it does not recognise it as emphatically as it is the duty of the House to recognise it, now that it is definitely raised, and debated on.

(*An Honourable Member* : ' Sir, I propose that the question be now put.')

**The Honourable Sir Malcolm Hailey :** Sir, I rise purely in order to prevent my Honourable friend carrying out his threat because I should be unwilling that the House should vote on the question before I have had an opportunity of explaining my own position to the House.

I declined to speak at an earlier stage, Sir, not being perhaps equally anxious as some of my Honourable friends here to capture your eye,—I found the House engaged in an exceedingly interesting discussion which showed great variety and great difference of opinion. It is not, I think, unnatural that Government should on such an important occasin desire to learn fully what are the views of the Assembly before it decides to give its own. I myself have been in some difficulty this morning because I have not perhaps fully understood or fully appreciated those suggestions of influences that have been brought to bear, and rumours of dreadful happenings that may supervene. I merely assume therefore that the House knows exactly what are the main issues, and the implications which underlie this case ; and I certainly am not going to indulge this morning in any suggestion that it is necessary for us to be swayed

in our judgment here by any consideration except the merits of the question pure and simple. (Hear hear.) I am afraid I cannot give Mr. Ginwala the pleasure he seeks of hearing my individual views on this subject. A member of Government does not enjoy the same privileges in that respect as many of my Honourable friends who belong to different Parties in this House. They, I notice, seem to have a very wide liberty allowed them not only of expressing their individual views but of dissenting entirely from the views expressed by other members of their Party. That privilege, Sir, I am afraid, I cannot assume myself. We have perhaps proceeded somewhat further on the undesirable path of discipline than some of my Honourable friends here. (Laughter.)

Now as to the merits of the question. We put forward a piece of combined taxation—15 per cent. *plus* the additional 4 per cent on cotton excise duties. I have already explained to the House fully the reasons underlying that proposal, and I do not wish to repeat now what I said at great length yesterday on that subject. In short, we proposed to increase the cotton excise duty in the hope that we should be allowed to take for ourselves a certain amount of the profit which would accrue either to the manufacturer or the middleman or some one else by our raising of the import duty to 15 per cent. But, Sir, the House has been unwilling to give us that increase on the cotton excise duty, and from my point of view the attractions of the combined operation are therefore considerably lessened.

We were aware that our proposal to increase the general import duty to 15 per cent would, of course, have the effect of increasing the price of cloth to the general consumer. That was inevitable, but we were prepared to face that in view of our necessities and because we hoped, as I said, to make that additional sum from the intervening profits which I have already described to you. Now that we are not allowed to take our share of those intervening profits, the question arises, is it worth while facing all the undesirable consequences which will follow from the increase in the general cost to the consumer for the sake of the remaining income, namely, 140 lakhs?

**Mr. N. M. Joshi:** You want revenue.

**The Honourable Sir Malcolm Hailey:** We want revenue—that is perfectly true. But my advice to the House is, that it is not worth while for the sake of that Rs. 140 lakhs bringing those consequences on the country at present. I deplore any loss of revenue but I must look at the consequences arising out of this increased taxation. Are they proportional to the benefit to the State from the additional revenue expected? My feeling about this increase is that it will cause an amount of disturbance which is not proportionate to the income that we are to receive. (*A Voice*: 'Manchester.') As regards Manchester, I say with absolute truth that Manchester and the feelings of Manchester have nothing to do with us. If I advise the House that the amount of disturbance that will be caused to the country is not worth that 140 lakhs, I do so with a clear conscience. I do so with every intention of asserting on behalf of Government that we intend to maintain fiscal liberty for India under the terms now secured to us. I assert here that if at any time we wish to raise our general import duties for our own sake and if we feel that we can do so in a manner that will cause no harm to the country at large, then we ought to have liberty to do so and we intend to assert that liberty against Manchester or anybody else.

I have spoken with some emphasis on this point because I feel that it is, and must remain, a cardinal point in the policy of the Government. This matter we are considering this morning is a comparatively small matter. I should be very unwilling indeed if in this matter the Government of India were to lie under any such imputation as has been suggested by the interjection of my Honourable friend. I have taken the responsibility of giving this advice to the House, and I would defy the Honourable Member to say that I am actuated by any sympathy for the feelings of Manchester in doing so. We have received no pressure on this matter from outside. I have come to this conclusion after listening to the arguments to-day with a fresh mind, and I ask my Honourable friends here on the Government side to support me because they know as well as I do that our attitude is clear in this particular respect. But I repeat at the same time that nothing I have said this morning should lead any Honourable Member to think that the Government of India will weaken in any way in its determination to secure liberty in fiscal matters for this country.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Sir, some people are more fortunate than others. They hear rumours sooner than others, and hints, possibly innuendoes affect them, may influence them. On the question of these remours and their influencing Mr. Rhodes'

amendment, I shall not refer to that very vulgar fraction of half in the 11½ per cent. gratuitously proposed by Mr. Rangachariar. What is the position with regard to that amendment? Mr. Rhodes is not likely to be one of those who would be influenced by rumours in advance. Had he not given notice of that amendment quite early in the day (I hear a voice: 'No' but the printed agenda belies him) long before we had thrown out the Government proposal about reduction of cotton excise, there ends the tale. Whoever thought that this House in the different sections was going to be united and that the Government proposal was going to be signally defeated. I mean the proposal about 4 per cent. cotton excise. Few were foolhardy enough to think that we shall be doing that and Mr. Rhodes has tabled his alternative amendment speculatively in advance.

**Mr. N. M. Samarth**: You were not in touch with our feelings.

**Sir Deva Prasad Sarvadhikary**: I do not know what feelings Mr. Samarth refers to. Bombay mill feelings have been enough consulted and the feelings of the country have now to be consulted. Mr. Rhodes had anticipated matters as a business man, the consumer also had to be protected. Sir Malcolm Hailey has, therefore, taken quite the right line this morning. It is the House that should decide this question and I hope the House is going to decide it in the only way that is open to it now. We have been told this morning by friends of the Democratic Party that this 15 per cent. is a one year affair and ought to be allowed to stand. That is borrowing Government language with a vengeance. But the Honourable Member who put in this plea also said that India is going to be a protectionist country and whether the consumer is to suffer to-day or six months later is a matter that does not concern us and we better begin now. That is a frank and intelligible proposition but hardly right under the circumstances. About this proposal for addition of 4 per cent. excise, I thought that the Government was more or less in the position of the American backwoodsmen—I shall not call them a rabble—of the olden times—that rushed in and told the jury to hurry up with their verdict because they had already strung up the prisoner. I was, however, not going to attribute that position to the Government because they put it on revenue grounds—which covers a multitude of sins. What has been done to-day, Sir? While the Fiscal Commission is sitting, the Democratic Party declares from this House, because we have the ultimate power of voicing that India is going to be a protectionist country and therefore we begin the protection to-day. That is a sort of feeling which I hope will not dominate this House in this matter and now. A fiscal committee has been appointed Good men and true have been going all over the country collecting evidence and we are bound to wait for their decision. We cannot anticipate it and Government should never have suggested that this House should anticipate their verdict—even for the year and even for revenue purposes. I myself would probably support the protectionist point of view, but that is another story altogether. If it was put purely and merely upon revenue grounds, that would be a thing that possibly we can understand, though not excuse, but if it is to be on other grounds I think it is the duty of the House to resist the movement to-day and give the chance to the Fiscal Commission that it deserves. Sir, we are glad of two things this morning. I do not want to take any unfair advantage, but we have it, if not directly, at least by implication from Sir Malcolm Hailey that after all the negligible crore and 40 lakhs need not trouble the House very much. That is what the House has been saying to itself in insisting on retrenchment and reduction of taxation. And the House is glad to be justified. Further, we have the very great advantage and satisfaction of being assured that, whatever the pressure of opinion in England may be, the Government of India stands united and will see that we get fair play. And as we are taking Sir Malcolm's advice, no question of the dreaded certificate procedure can possibly arise.

**Sir P. S. Sivaswamy Aiyer**: Sir, when I put a question some time ago to the Honourable Finance Minister for the purpose of obtaining information from him as to the attitude of the Government on this question, my object was not to draw him out and make an attack but simply to guide myself to some extent in the light of the attitude that the Government proposed to take. I am one of those who endeavour to preserve an open mind on these matters, and I like to have as much light and information before arriving at a decision as I can secure. Sir, there are two or three aspects of this question which ought to be considered by the House in coming to a decision. The first, and perhaps the most important, aspect is, what is the best thing in the interests of the tax-payer and of the people generally? Now, looking at it from that point of view, there can be no doubt that a reduction of the duty on foreign piece-goods is to be welcomed. If the mills

in the country were capable of supplying all the demand for cloth, it might perhaps stand on a different footing. But it is admitted that the Indian mills cannot supply more than a certain percentage of the demand, and that we have to depend upon foreign goods, necessarily, the import of foreign goods must have a great influence in keeping down the level of prices in this country. Looking at the question, therefore, from the point of view of the consumer and of the people generally, a reduction of the duty is a matter to be received with feelings of satisfaction. There are, of course, other points of view besides this. If this reduction of tax stood by itself, and if it was not to be followed by other measures proposing the substitution of some other kind of duty, we should be perfectly easy in mind. My Honourable friend, Mr. Jamnadas Dwarkadas, asked for some sort of assurance on the question whether Government would be able to go on with the amount of taxes which the Assembly has agreed to or will agree to in the course of the Finance Bill, and whether it would be possible for the Government to make both ends meet if this duty were reduced to the current year's level of 11 per cent. The answer to that question necessarily has a bearing upon the decision we may arrive at. While it is desirable that the price of cotton goods should be reduced, it leaves open the question,—if a tax is necessary, which is the least objectionable tax? Whether we should prefer a duty on cotton goods, or a duty on some other articles. We have already made up our minds on some matters, we have already decided to take off the salt duty, and we have decided to take off the proposed increase in the excise duties; and another matter upon which, so far as I can understand, the Members of this Assembly feel strongly is that the duty on machinery should be reduced to the old level of 2½ per cent. These are three matters upon which Members of this Assembly feel strongly. Now if we can be assured that the wishes of the Assembly on these three matters, and upon this question of the reduction of the duty on cotton goods, will be respected and that there will be no attempt on the part of Government to put back these demands and certify the Bill, then we need not have any hesitation at all in voting for the Honourable Mr. Rhodes' proposal. I hope it will be possible for the Government to give some sort of assurance upon this question. There are other aspects of the question which will have also to be considered. Underneath all the discussion that has been going on, there has been a lurking suspicion that this proposed reduction in the cotton duties is due to some desire to meet pressure from Lancashire. I do not know how far that is true, or whether there is any foundation for it. If there were any truth in any such suspicion, I should certainly be opposed to making any surrender of our own fiscal liberty in defence to any wishes of any people outside this country. (Hear, hear.) But after the assurances which have been given by the Honourable the Finance Minister of the desire of the Government of India to uphold the cause of fiscal freedom for this country, I think we may dismiss that suspicion from our minds; and I hope also that if there is any danger to our fiscal freedom, the Government of India will give us timely intimation of such danger so that we may fight the battle in right earnest and in proper time; and, when the battle does come to be fought, I hope the Government of India will range themselves on our side (Hear, hear) and, if it goes against us, they will resign collectively, *en bloc*. (Hear, hear.) Sir, after the assurance which have been received from the Honourable the Finance Minister, I think we may dismiss the political aspect of the case from consideration, and treat it merely as a question of revenue,—as a question of what is needed in the interests of the tax-payer. If in the interests of the finances of the country the Government tell us that they will be able to go on with what we have decided to give them under this Finance Bill, and with what we may in the course of our discussions give them, subject, as I have said, to the reservation which I have indicated with regard to the duty on machinery,—if the Government can give us this assurance, and if there is no danger of any action on the part of Government in the way of putting back any of these taxes against the wishes of the Assembly or in spite of the wishes of the Assembly, I do not see the least objection to the proposition which has been moved by the Honourable Mr. Rhodes, and I would therefore readily agree to his proposal.

(*Several Honourable Members*: 'I move that the question be now put.')

**Mr. President**: The original question was . . . . .

**Mr. Jamnadas Dwarkadas**: Before you put the question, Sir, I may be permitted to ask, as my Honourable friend, Sir Sivaswamy Aiyer, has asked for an assurance from the Government, will the Honourable the Finance Member say whether he can give such an assurance?

**The Honourable Sir Malcolm Hailey**: I am sure that my Honourable friend will recognise that all we are able to do is to take note of the very strong desire expressed by Sir Sivaswamy Aiyer on behalf of his friends, and

I think, on behalf of the House, that we should identify ourselves with the verdict of the House on this particular point, and not advise that any further constitutional action should be taken. I can, I am afraid, say nothing further than this, that we recognise the very strong desire that he has expressed on behalf of the House in this regard and we shall take it into careful consideration.

**Mr. President:** The original question was:

'That after item 44 a new item be inserted:

'44-A. Cotton piece-goods *ad valorem* 11 per cent'.

Since which an amendment has been moved:

'To substitute the figures '11½' for the figures '11' in the last column.'

The question is that that amendment be made.

The motion was negatived.

**Mr. President:** The question is:

'That in Schedule I, after item 44, the following item be inserted:

'44-A. Cotton piece-goods *ad valorem* 11 per cent.'

The Assembly then divided as follows:

AYES—68.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Abdulla, Mr. Saiyed Muhammad.
Ahmed Baksh Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Bagde, Mr. K. G.
Barua, Mr. D. C.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Das, Babu B. S.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Hussanally, Mr. W. M.
Ibrahim Ali Khan, Lieut.-Nawab M.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Joshi, Mr. N. M.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Mahadeo Prasad, Munshi.
Misra, Mr. P. L.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Sharp, Mr. H.
Spence, Mr. R. A.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

NOES—30.

Abdul Majid, Shaikh.
Agnihotri, Mr. K. B. L.
Amjad Ali, Maulvi.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Iswar Saran, Munshi.
Jejeebhoy, Sir Jamsetjee.
Lakshmi Narayan Lal, Mr.
Manmohandas Ramji, Mr.
Misra, Mr. B. N.
Mukherjee, Mr. T. P.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Reddi, Mr. M. K.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Adit Prasad.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Subzposh, Mr. S. M. Z. A.
Wajihuddin, Haji.
Yamin Khan, Mr. M.

The motion was adopted.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

---

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President was in the Chair.

---

**Mr. President:** There is an amendment to Item 99, which is consequential upon the discussion just before the adjournment, *viz*:

'That the word 'piece-goods' in item 99 be omitted.'

**Mr. A. V. V. Aiyar** (Finance Department : Nominated Official) : In the absence of Mr. Rhodes I beg to move amendment No. 126 standing in his name, which is consequential on the decision which this House arrived at before it adjourned for Lunch.

**Mr. President:** The question is :

'That in Schedule I to the Bill—in Item 99 the word 'piece-goods' be omitted.'

The motion was adopted.

**Mr. President:** We will resume discussion of Schedule I, Part I, Item No. 20, Amendment No. 64, standing in the name of Mr. Spence.

**Mr. R. A. Spence:** Sir, I have the honour to propose this amendment:

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, in Item 20 of Part I, the words 'and Silver' be omitted.'

and, in moving this amendment to re-introduce the duty on silver imported into India, I cannot refrain from expressing my regret that my Honourable friend, Mr. E. L. Price, is not here to move that proposal himself, especially as he would have been supported on this occasion by such expert financiers as Sir Montagu Webb and Mr. Rhodes. I feel that the Honourable the Finance Member himself cannot but, in his heart of hearts, regret that this duty had not been imposed last year. It would have reduced his deficit and reduced the amount of rupees paid by him in respect of Home charges. The Finance Member, I notice, with that cheery optimism with which he faced the democratic axe, fortified with the comfortable assurance that the guillotine was awaiting his opponents, does not say anything on this subject in face of the deficit, in face of the opposition to so much of his taxation proposals on the ground that it will hit the poor. In the face of all this, can he do anything but welcome a tax which will fall only on the well-to-do, which will bring him a revenue of over a crore of rupees a year, and which, in view of the amendments to be moved by Sir Montagu Webb and Mr. Rhodes, will still leave India a free country, so far as the trade in silver with foreign countries is concerned. Knowing the limited time of the House, and in view of the great knowledge of the subject they possess, I leave it to my friends from Karachi and Calcutta to place before the House the arguments which I think will be found unassailable, which will induce, I hope and believe, this House to adopt this amendment which, Sir, I have the honour to move.

**Mr. Harchandrai Vishindas :** I have very great pleasure in supporting the Resolution moved by my Honourable friend, Mr. Spence. He has very rightly alluded to the very illuminating Budget debate held last year and to the speech by Mr. E. L. Price, and I think it will not be without interest if I give the House a small quotation from that speech which bears upon this subject directly. Mr. Price said :

'It is astounding that though the silver imports from 9 months were only 35 lakhs ounces and in December 6 lakhs ounces, when we come to January the net import of silver on private account rose to 24 lakhs ounces. or two-thirds of the total previous import for 9 months. Now, Sir, on that I have not made out a case to show that this colossal fall in exchange, which is shaking not only the Government finances but the whole commercial stability of the country, is due to cheap silver coming in in unlimited quantities.'

Sir, I say that, in addition to the reasons advanced by the Honourable Mover, I also think that this duty will improve the exchange situation, which also will be a great gain to the finances of this country. When Mr. Price made those remarks last year, he was pooh-poohed and hauled over the coals by the newspapers. The opinion of the House to-day will be that Mr. Price was entirely right, and it is a great pity that his suggestion was not taken in the good part that it deserved, because we would have been saved to a certain extent the situation we have witnessed to-day.

I don't think this Resolution needs any very strong arguments to support it, but I think it will be useful to make a reply to certain remarks that have fallen from the opponents of Mr. Price's suggestion last year. I think it was Dr. Gour who said that it would be undesirable to tax silver in the interests of the poor of this country who hoard silver, or who turn silver into ornaments. The reply to that argument is that, in view of the fact that we are faced with severe financial stringency, and that we require money, that money should be had even if it did cause that sacrifice to the people of this country, that they would be prevented from hoarding their money. It is much better that the people should give up this habit of hoarding money and invest their money in some other form to get a return. Another point was that, so far as this question of hoarding is concerned, if this duty is put upon silver, the result will be that all those persons who have got silver hoarded or

silver ornaments, will have the value of those ornaments proportionately advanced. If it has the effect of taking away from people the habit of hoarding, that will actually be an advantage which would also be attributable to this imposition of a duty on silver.

With these few remarks I have great pleasure in supporting Mr. Spence's amendment.

**Mr. C. W. Rhodes:** Sir, I presume that I shall not be in order in moving my amendment No. 81, at this stage of the proceedings.

**Mr. President:** That amendment comes as an amendment to a further proposal standing in the name of the Honourable Member (Mr. Spence) from Bombay, which will be taken as consequential to this, if this is admitted. It is an amendment to an item in Part II of the Schedule.

**Mr. C. W. Rhodes:** Then, Sir, if I may be allowed, I would like to speak on the general question, and, if the other one comes on, it will not be necessary for me to repeat my remarks. Personally, I am not at all a whole-hearted believer in an import duty on silver, and my only object in moving that amendment was that I believe that without it this proposal now before the House is dangerous and should be thrown out. Silver in India has two distinct functions; it is required by the people as a very convenient form of hoarding their savings. and also as a luxury which is almost a necessity in cases of marriage ceremonies. From that point of view, as rightly pointed out by the last speaker, it is for revenue purposes a very just cause of taxation, and, if that was the only function of silver, I think I should heartily support the amendment; but, Sir, it has the other function. It is a great balancer of our international trade. To perform this function, and I am sure in saying this that my Bombay friends will agree with me, it must be allowed to flow in and out of the country without any handicap. I shall propose this amendment later in the day if the House passes this duty with a view to removing some of the handicaps. But I may be told by people of administrative authority that my suggestion is impracticable in fact. If it is, then I shall most certainly vote against Mr. Spence's proposal. I feel very strongly that, even though this is a great source of revenue, there are other and more important questions of international Exchange which are so well understood and which have been so very well debated here and elsewhere that it is not necessary to go into them at length. I feel that we have got to sacrifice the advantage to the revenue to be gained from any duty on silver, unless we can be certain that it should be allowed, in spite of this duty to flow freely in and out of the country.

**Mr. Manmohandas Ramji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I am sorry I have not heard the arguments as I was rather late, but I strongly oppose the suggestion of putting any duty on silver. Sir, we had the pleasure of discussing this question last year at the instance of our friend, Mr. Price, and we remember well the debate on that proposition which took place then. This year also an attempt has been made to re-open that question. I will remind the House of the strong protest that was raised from Bombay against the imposition of this duty. Sir, the aspect of such a duty was also considered by the Currency Committee and both the majority and minority reports said that there was an embargo at that time on the importation of silver which should be removed and that free movements of these precious metals should be allowed in the interests of the country. Mr. Dadyba Dalal: whom we all know very well, also in his minority report said the same thing. It would be better if I could read with your permission, Sir, his remarks on this point. This is what he says:

> 'This is a question which is not of importance so long as the embargo on private imports of silver is maintained and no duty is consequently being levied. But when the embargo is raised, I suggest that the duty should be given up because it is, in effect, a levy on the petty savings of multitudes of the people. The practice which custom impels the Indian masses to place such small cash reserves as they can scrape together in unfruitful investments in silver ornaments is, of course, a matter for regret, but it is simply a continuance of long established custom on the part of poor and ignorant classes whose individual accumulations are very small, and, as a form of savings, not a fit subject for taxation."

Then, again, Sir, he pointed out to me in a letter deprecating this duty on the grounds that India was going to be the third market in the world as a bullion market, and that if any attempt is made to put any duty on the free movement of these metals, it would come in the way of India attaining that position and I think he was right in saying so. We know, Sir, that these precious metals are sometimes apt to affect exchange and in returning demands of money from one country to another; and, if there is any obstacle by way of duties on these precious metals, I think there will be certain difficulties. Of course, the Movers of this Resolution may contend that they are

proposing also bounty on the re-export of these metals. But, Sir, all these things mean certain inconvenience and certain other factors which are patent to everybody. On these grounds, Sir, I propose that there should be no duty on silver or any other precious metal.

**Mr. Mahmood Schamnad Sahib Bahadur** (West Coast and Nilgiris : Muhammadan) : Sir, I support this motion to impose a tax on silver, because it will not only help to fill our Exchequer but it will also steady the exchange and help to make up the deficits. I do not understand why some of our merchant princes from Bombay oppose this motion. If the price of silver is raised by imposing a tax, the exchange also must favourably be affected. When much able financiers as Mr. Price are also of this opinion, there need not be any hesitation about it. I do not know why there should be any opposition on the part of some Honourable Members to this motion, especially when it will bring in a large income. I think before the war there was an import duty on silver and it used to bring in more than a crore of rupees. With these remarks, Sir, I support the motion for the imposition of a import duty on silver.

**Sir Montagu Webb :** Sir, the proposal before the House is to take silver out of the free list and thereby permit a duty of some kind to be levied upon it. I heartily support this motion. At the moment, as a result of the National and Democratic action combined, there is now a deficit in the Budget of approximately 10 crores of rupees. It is with the object, firstly, of providing revenue to take the place of a portion of that which this House has refused to vote that I support the suggestion that we should include silver among the list of articles which can be taxed on importation. It is not necessary, I think, for me to go over again the revenue argument. We are faced with a deficit; we are slipping in the wrong direction; we are inviting more borrowing; we are inviting more paper currency, higher prices, and general financial chaos and bankruptcy. It is absolutely essential, therefore, that we make some provision whereby we can collect revenue to enable us to cover this deficit. Now, the arguments that were used a year ago against the imposition of an import duty on silver, namely, that it was a tax on the poor man's savings, that it would influence imports of silver adversely, that it would affect the China market and so forth, all these arguments have been met by the proposal which appears a little later in our agenda paper, I mean the amendment that has been put in by my Honourable friend, Mr. Rhodes (and another amendment by myself) providing for a bounty on export of the same amount as the duty which may be put on silver. This entirely disposes of my Honourable friend, Mr. Manmohandas Ramji's argument that the trade of India in silver or the facility in adjusting the nation's balances would be in any way interfered with. By the aid of this bounty on export there would not be the slightest interference with the adjustment of trade balances, and, so far from the poor people's savings being taxed, poor people's savings, as my Honourable friend, Mr. Rangachariar, pointed out last year, would be increased and not diminished in value by the amount of the silver duty. The only question, therefore, that we have to ask ourselves is whether silver is or is not a suitable article for taxation. Now, I submit that, beyond question, silver is socially a luxury for many people. And for the poorest of the poor, where it is used as savings, an import duty adds to the value of the savings. Silver is, therefore, a quite suitable object of taxation. The suggestion that the inflow of silver into this country would be checked in any way by an import duty is, I think, disposed of by a reference to the statistics of the imports of silver. While the duty was in the neighbourhood of 5 per cent, silver flowed in freely into this country. The total imports of silver were over 15 crores a year for the 10 years ending 1910. For the ten years ending 1920, when the duty was raised to something like 16 or 17 per cent. *ad valorem* (that is to say, four annas an ounce), the gross importations of silver, including Government importations, were well over 21 crores of silver a year. Then, if you look at the statistics of exports of silver, notwithstanding that there was no refund of this duty, so far from this fact interfering in any way with the trade in silver, you will see that the net exports of silver varied from 1 to 6 crores of silver every year. So that, I submit, even when there was no bounty on export, there was not any serious obstacle in the way of the free movement of silver. I do recognise, however, that there is some force in the arguments of those who object to any interference with free trade in silver because they wish to establish the greatest silver market of the East in Bombay: and some substance also in the arguments of those who desire to place no obstacle whatever in the adjustment of trade balances. I admit that there is some substance in that. That point, however, would be met by granting a bounty on the export of silver equivalent to the amount of the duty imposed. Had such a bounty been paid these last 12 months, from the figures which I have been

able to collect, I estimate that the Government would nevertheless up till the end of January this year have reaped a revenue of over a crore of rupees, even after paying the bounty of four annas an ounce on exports.

Now, the question we have to ask ourselves is whether, in the present condition of our finances, we can forego the possibility of collecting a revenue of this character and of this magnitude. Of course, if the attitude of certain Members of this House is that revenue must be withheld from Government in order to force Government to take some other action in some other Department, to that type of argument I can give no economic answer at all; but, if the argument be, which, I submit, it ought to be, how can we best provide Government with the revenue necessary to enable them to carry on the administration, then, I submit that silver forms a perfectly appropriate commodity upon which to impose a tax.

I would summarise what I have said in this way. Such a tax will give us over a crore of rupees per annum in revenue; it will add to the savings of the poor; it will not in any way affect the adjustment of international balances; it will not affect the Bombay silver market, and, lastly,—and I want to add a word or two in this connection—it will steady exchange.

Now, I am one of those who deplore that my friend, Mr. Price's proposition of a year ago to place an import duty on silver was not accepted. This Government would have been richer by, I should think, two or three crores of rupees. (*Dr. Gour*: 'They would have squandered all that'.) They would have been in a better position by two or three crores of rupees had that tax been collected. And I lay particular emphasis on this second point—that I am confident that our exchange would have been at a higher level than it is at present, and that we could have saved a substantial portion of that 10 crores loss in exchange which makes such a serious hole in the Budget. From the notes that I have before me I think the commercial communities of Bombay and Karachi both support the idea of taxing silver. I need not now, Sir, go into the details of the reasons which have led me to propose an amendment of four annas an ounce and of the further details of the reasons for which I advocate a bounty on exports of silver. It is perhaps sufficient if I merely plead now that silver should not be put on the free list but should be transferred to that portion of the tariff which permits of an import duty being imposed, firstly, for revenue purposes, and, secondly, in the hope of steadying exchange.

I was very much surprised last year that my Honourable friend, the Finance Member, regarded exchange as outside the realms of human control. After a very bad year indeed, in which the foreign exchanges both of Europe and India had behaved in a way that had sent a shiver through most responsible financiers, the Government of India appeared to give the matter up in despair. I suggest that this is not the attitude that we should adopt. It is certainly an attitude to which I personally shall neaver subscribe. In however great a muddle our foreign exchanges may be, I consider it is our duty to endeavour to the best of our ability to put the matter right. (Hear, hear.) And I submit that one of the ways, by no means necessarily completely effective, that we should look to, but still one of the ways, is by controlling the imports of silver by way of a duty. I should like in this connection just to read one sentence from the report of Professor Cassel to the last Conference of the Leaugue of Nations. Professor Cassel, I need hardly remind this House, is a Swedish economist of world-wide fame who prepared a Note for the first International Financial Conference at Brussels in 1920. He has now written a second memorandum of the very greatest value to which I would commend the attention of this House. The League of Nations, I do not think, have published the second memorandum, but it is available in a small book which has reached me by this mail. This is Professor Cassell's remark on the subject of the Foreign Exchanges. I am sorry, Sir, I cannot at this second put my finger on the sentence, I will give it later; but the sense of Professor Cassel's view is this. No responsible statesman or politician would be true to himself if he were at this stage to abandon hope of putting the system of foreign exchanges right.* That, Sir, is the sense of the quotation which I shall shortly give you. I therefore hope, both with the object of steadying our exchange, upon which we have lost 10 crores this year, and on the other ground of providing revenue,—I would urge that silver be included in that proportion of the tariff upon which we can, if necessary, levy an import duty.

**Sir Vithaldas D. Thackersey** (Bombay Millowners' Association: Indian Commerce): Sir, the question of the silver duty is one which

*Professor Cassel's exact words are: 'If we are true to ourselves, we must feel that no one can really take the responsibility of abandoning all efforts, and of acquiescing in the present monetary confusion.....

ought to be considered very carefully before any decision is arrived at by this House. Sir, one of the arguments used by my Honourable friend, Sir Montagu Webb, is that in the opinion of experts one of the first duties of Government is to try to put right the foreign exchange, and as in the opinion of Sir Montagu Webb the duty on silver will help in steadying our foreign exchange, it should be levied. I entirely agree with what has been said by Sir Montagu Webb that India should endeavour to put its foreign exchange right. The proper method is for Government either to formulate a considered scheme for and circulate it in the country to get the opinion of all parties interested and then bring forward a Bill to give effect to the scheme when approved by the country, or if Government are not prepared to formulate such a scheme, let a Committee be appointed whenever the Government choose and think right, for considering this whole problem from all points of view, and after full consideration and after the evidence taken by this Committee and its recommendations are received, the problem of our foreign exchange may be attempted to be solved. I therefore maintain that this is not the right method of solving our exchange difficulties. If a duty of two annas in the rupee or four annas per ounce, is the right method of steadying our exchange, and if that argument is taken to its logical conclusion, prohibition of silver would be the easiest way of getting our two-shilling rupee.

**Sir Montagu Webb:** No, no.

**Mr. R. A. Spence:** Who wanted a two-shilling rupee?

**Sir Vithaldas D. Thackersey:** I am very glad to hear from my Honourable friends on my right that they do not advocate a two-shilling rupee. Let it be a 1*s.* 4*d.* rupee then, if I understand my Honourable friend aright. I still maintain that the right method is not to take up these odd items piecemeal but to go about it in a business like way. There is a further reason why this Resolution should not be accepted. The question is a most important one. It is not merely a question of taxing people who can afford to buy silver. The country has had no opportunity of giving any opinion on this proposition. If the proposal had emanated from Government, the country would have taken the matter seriously and given an opinion, whether in its favour or against it. But this amendment coming from a private Member only two or three days before the debate, the country does not know what the proposal is and it would not be right for this House to accept a proposal of this character at such short notice. Please permit me to make my own position very clear. I am not prepared to commit myself whether the proposal is acceptable or not. There is a great deal to be said on both sides. I only impress upon this House that this is not the right way of imposing important taxation, in which several principles are involved. Then again there is a great deal to be said in favour of those who maintain that this is a tax on the savings of the poor. It has been argued by my Honourable friend, that by raising the price of silver by the imposition of this tax you raise the value of the savings of the poor. Well, if by such, people can get richer by prohibiting the importation of silver, the people will be very rich indeed. After all, the value of silver and the value of the savings of the poor will be what the silver is worth in the world and not what you can make it worth by artificial means in the country. (Hear, hear.)

Then, there is a further argument against the proposal. India is a big bullion market. It is, I understand, the third market in the world. If the Government of India adopt the policy of purchasing all its silver requirements in India by means of competitive tenders for the suppliers of silver throughout the whole world, instead of buying in London, India will no longer be the third, but will be the second, if not the first, bullion market of the world. Are we, by accepting this proposal so hurriedly and without giving an opportunity to the country to give an opinion on it, to remove the possibility of her attaining the higher position. But it has been argued by my Honourable friend, Sir Montagu Webb, that, by giving bounty silver may be exported or imported at the free will of the people. Such a proposal was placed some years ago by the bullion merchants, I believe, but it was ruled out by Government, and I think rightly ruled out. The danger is that, in a particular year, the export may be more than the import and then, instead of getting revenue for Government, Government may have to pay the bounty out of the other revenues. It may be argued that on an average, India will gain by such a duty, and, if a reserve fund is created which may be utilised in times of emergency, just like the Gold Standard Reserve, its danger may be minimised but there again it requires full consideration and a policy to be formed before we accept this proposition. Let us not run away with the idea that silver is a rich man's luxury and that, therefore, it can be taxed without a burden to the poor. In India it is not the rich man's luxury, but it is the poor man's means of

investing his saving. Can any one believe that these 15 crores worth of silver that is imported is used for the luxury of the rich? Rich people have many other means of investing their money, more profitably than by hoarding silver. It is the poor who buy 8 annas or one rupee worth of silver for making a bangle for a daughter or a child. There most of the silver goes. We are told that India is a sink of precious metals. Let those who thus argue not forget that there are over 300 millions of people and, even if you put each man's consumption at 8 annas worth of silver, it means 15 crores of rupees. It is a fallacy to say that silver is the rich man's luxury. Far from it, It is the poor man's means of investing his savings. For these reasons, I oppose the proposal.

**Mr. R. A. Spence:** The Honourable Member just said that, owing to the shortness of notice I gave, the people of India had not an opportunity of expressing their views on this proposition. May I ask Government to state whether it is not a fact that they have received a telegram from the bullion merchants of Bombay asking for the imposition of this tax?

**Sir Vithaldas D. Thackersey:** I will reply to this shortly. I do not know which bullion merchants have sent a telegram. There are always two sides to every question. In 1910 or 1911, when the tax was levied, the merchants opposed the tax. It may be that the bullion merchants who have got last stocks of silver in India want to make profit; that is no reason why the country should agree to the imposition of this tax.

**The Honourable Sir Malcolm Hailey:** Sir, the proposition is not of course an easy one My Honourable friends opposite have offered us this year, as they offered us last year, an increase in our revenue, and an increase in our revenues which we undoubtedly require. And again one's position is not an easy one in another way, because I feel, as everybody here must feel, that it is one of those questions on which, as Sir Vithaldas Thackersey has said, there is a great deal to be urged on both sides. I will do myself the credit of hoping that the House remembers what we said last year on this subject and I shall not repeat the arguments that were used then at any length. Now, what in short is the case for this tax? It will of course bring us an additional revenue of a fluctuating nature but still substantial. I have here the figures of the imports of silver for a number of years, and it is quite clear that on the net results we should have obtained some such addition to our revenues as that of which Sir Montagu Webb has spoken. But the second point on which stress is laid is that it would improve exchange. It would of course improve exchange to the extent that the tax on silver kept down the imports of silver. On the other hand, unless the free bounty system were agreed to and unless that system could be worked successfully, a point doubtful in itself, it would of course place a handicap on the export of silver. There have been many occasions within the recollection, I am sure, of many Members of this House in which the exports of silver have in themselves been sufficient to support exchange. Moreover, it has been frequently urged on us, and urged on us with truth, that the facility that we enjoy in India for importing silver cheaply allows us to export gold also for the advantage of exchange; India on such occasions substitutes holding of silver for holding of gold. That was a point which Honourable Members will remember was made last year, and it is a very valid point in itself. Now suppose that by putting this tax on silver you reduce the imports of silver, is it quite certain that you will effect a net reduction of imports? If India has the purchasing power available, is it absolutely certain that being unable to utilise her purchasing power for buying silver, she will not simply provide herself with other articles instead? If she does so, you have not to that extent improved exchange. I admit that the whole question of the use of silver for exchange purposes is largely bound up with the subsequent question that we shall have to discuss regarding the possibility of giving a free bounty. I have no doubt that when that aspect of the question comes under discussion my Honourable friend, Mr. Innes, will be able to give the Assembly some information as to the exact methods in which that free bounty system could be worked. I will only say for my own part that I believe that there are many obstacles in the way, and admitting that to be the case, that would destroy part of the argument used by my Honourable friend. Now against the arguments that have been adduced to-day and have been used elsewhere for imposing this duty, we have a solid body of opinion, which I should have called almost unanimous until this year, that it was not a wise thing to interfere with the free movement of the precious metals. I am not going to quote again the Babington Smith Committee's Report nor refer again to what Mr. Dalal said on the subject. I take it that the House will agree with me that there has on the whole been among all economists a very general feeling that you should not interfere with the free movement of the precious metals, because

they are the one ultimate equilibrating force in exchange, and many peopl feel - it may be only an instinct, but many people certainly feel, tha if you interfere with the movement of the precious metals, you may be moving levers which control wires of which you do not know the exact direction or the exact effect. I do not wish to make much here either of the argument that was used in 1911 and was again used last year, as to the effect of an import duty on silver on the Bombay yarn export trade. It is sufficient to say that it would to some extent act as an export duty on Bombay yarn. But I wish to point out to the House that there are undoubtedly occasions even when, if the anticipation of my Honourable friends opposite were realised, namely, that we could work a free bounty system and get a free movement of silver, we should be actually out of pocket by this process. I will not read to the House the whole of the figures I have. There may have been many years, I admit, in which the import very largely exceeded the export. In 1911, the import was 70 million, and the export 38. In 1912, the import was 51, and the export was 16. In 1913-14, the import was 44, and the export was 8. Those are all years in which the system would have worked to our great advantage, but you do get years like 1916-17 in which the import was 7¼ million ounces, and the export was 19¼ million ounces.

**Mr. R. A. Spence:** Those were war years.

**The Honourable Sir Malcolm Hailey:** It was a war year, I admit.

**Mr. R. A. Spence:** Sir, I would not for a moment interrupt you, you have been always considerate—Sir, could the Honourable Finance Member give us the average figure for those years that he has got? I think, Sir, if the Honourable Finance Member could give us the average figure, it would be fair so that both sides of the question could be considered, and I am sure that is what the Honourable Finance Member has in view.

**The Honourable Sir Malcolm Hailey:** I am quite willing to do so; it would need a little rapid arithmetic, but I have not the smallest doubt, my friend, Mr. Aiyar, could help the House in that respect. I only wish to point out that there have been at least two years, one of which was 1920, in which the export did very heavily exceed the import.

**Sir Montagu Webb:** Only because of the war.

**The Honourable Sir Malcolm Hailey:** 1920 can hardly be described as a war year. Well, Sir, there the case stands. Like Sir Vithaldas Thackersey, I do not wish to be dogmatic about it; I only wish to say that the instinct of very many people is against it. Perhaps the case for my Honourable friend's proposition is a little stronger this year than last owing to our revenue difficulties. Perhaps we cannot defend our attitude as strongly as we did last year. One's instincts may on occasion have to give way to one's necessities. But the case is, at the best, a very evenly balanced one, and, in the circumstances, I much prefer to repeat the attitude which I took up last year that it might be a dangerous proposition to accept.

**Mr. President:** The question is:

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, in item 20 of Part I, the words 'and Silver' be omitted.'

The motion was negatived.

**Haji Wajih-ud-din** (Cities of the United Provinces: Muhammadan Urban): Sir, I move:

'That in Schedule I, Part I, in Items 30, 31, 32 and 33, the rate of duty be doubled.'

My motives are two-fold. Firstly, it cannot be denied that perfumed Spirits and Wines rank first and foremost among the luxuries, and for the same reason it is most advisable to tax them as heavily as possible in order to get out of the present financial difficulties. By doubling the rate we shall succeed in making up a considerable part of the deficit and thus it will enable us to exempt other necessaries from heavy taxation. Secondly, it is our purpose to discourage, by heavy taxation, the import and use of these articles, which corrupt our national character, which are a great nuisance to the country, and which are denounced by almost all the religious laws in such strong terms that it needs no comments. Both points are so strong that I hope the House will have no hesitation in adopting this amendment.

**Mr. R. A. Spence:** Sir, may I ask whether the Honourable Member thinks that this duty should be imposed on wines and spirits in order to produce a duty to the Government of India, or whether he wishes, by moving this double duty, to reduce the revenue? There have been many speeches and

many divisions in this House to-day and yesterday which have had the result of reducing the revenue to be obtained by the Government of India. I think it would make matters more plain to this House if the Honourable Mover of this amendment announced to us whether his idea was to reduce the revenue to the Government of India,—because that is solely and simply what this amendment will do.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member) : Sir, I think that the Honourable Mover explained that he had two objects in view. In the first place he stated that his object was increased revenue. In the second place, if I heard him aright, he told us that he made these proposals also with the object of furthering the cause of temperance. Now, Sir, I would ask the House to dismiss this second consideration from their minds. We are now revising our tariffs solely for the purpose of revenue.

The House will remember the history of these liquor duties. We have increased them out of all recognition in the last six years. In 1916, for instance, the duty on spirits was Rs. 9-6 per gallon. We raised it then to Rs. 11-4. Last year we raised it from Rs. 11-4, to Rs. 18-12, and now we have raised it again to Rs. 21-14. I may tell the House that, though we have made only a small increase in the duties on spirits we made that increase with very considerable hesitation ; because last year, when we added about 50 per cent. to these liquor duties, I am afraid that we put a considerable check upon the trade, and that check, from the revenue point of view, is to be deplored. I have the figures here. In 1921, imports of spirits decreased by 600,000 gallons ; imports of wines decreased by 135,000 gallons. We felt doubtful whether we were justified in making any increase to the duty, but we took the risk in the hope that we should get the amount which we have budgeted for. But I am perfectly sure that if we accept Mr. Haji Wajih-ud-din's motion and double this duty, we shall be setting up the law of diminishing returns, and, instead of getting an increased revenue, we shall get a very considerable decrease of revenue. I hope, therefore, that the House will not accept this amendment, looking purely to the revenue point of view.

**Sir Deva Prasad Sarvadhikary:** Sir, I must emphatically ask the House not to dismiss the temperance view of the question as Mr. Innes has suggested. There is an important revenue aspect of the question undoubtedly; but, throughout the debates for the last few days, have we been entirely devoting ourselves to the revenue aspect of things, or have not questions of policy, questions of expediency, often extraneous too, and antagonistic too, revenue questions, loomed large—and loomed large correctly ? This bogey of diminishing returns, I know, has been held up against the temperance worker from the beginning of the chapter of temperance reforms. That bogey has proved delusive. The putting on of taxation has not decreased drunkenness in the country, though figures that may be made to prove anything sometimes indicates on paper seemingly less consumption. Drunkenness goes on; what the reasons may be, outsiders do not know and we hear of illicit traffic and other things that put us off this track. I suppose people will continue to want their perfumed spirits; they cannot and will not give up their favourite liqueurs whatever duties you put on. I have noticed that they even poison with it that blissful beverage coffee. They will continue to want all other sorts of spirits which should be taxed high unless they are for industrial purposes. Those who want them and can therefore afford them will not allow a little more taxation to stand in the way of entertaining or poisoning themselves, as the point of view may be. Sir, I am not sorry that the question has been raised. It had to be raised in this Assembly in some form or other. I know that temperance has been made a plank, and a good plank, elsewhere for capturing popular support and popular imagination. I say that it ought to be the planks of this Assembly, and promotion of indigenous spinning and weaving and National Education and simple life in general and of the poverty of Co-operation and of moderate workers for getting back that popular support, which I am afraid we are fast losing. The people of this country are by instinct and habit temperate. I do not say that there has never been drunkenness in some shape here in recent times or in historic or pre-historic times. But there have all along been attempts at curtailment and not of encouragement; and that should be the policy of the temperance worker, as well as of the Government. They must be all interested, not only in the moral welfare of the people, but also in their physical welfare, and by the people I mean those that use country or foreign who should be equally the object of our solicitude. It may be said that highly taxed and high priced articles like those that we are now discussing are not likely to affect either the moral or the physical welfare of the masses, or the poorer or the middle classes and that therefore, our

solicitude here is somewhat misplaced. But is our solicitude confined to them? Are not my friends who advocate the temperance cause, equally solicitous for the welfare of those who would be consuming these foreign articles? If unfortunately, or fortunately, for us, the theory of diminishing returns does affect them, I for one shall not regret it. If the proposition put forward to the Assembly to-day was sound, I think, from the revenue point of view, the duty ought to be halved, so that we may get more out of the increased consumption than higher duties proposed by the Government would procure. (*Mr. R. A Spence*: 'A very good thing if it was.') 'It would be a very good thing', some one cries; but those who do cry out so will not, I know, stop short because of the higher duty, and will not allow the increase in the duties to stand in the way of consumption. I think, Sir, this is one of those matters which ought to receive support, and good support, from all sections of the House, and a matter in which revenue considerations ought not to assist in the rejection of this amendment.

**The Honourable Sir Malcolm Hailey:** Sir, I am quite willing to grant Sir Deva Prasad's point that revenue considerations cannot have undivided sway in the Budget. As he himself says, we have not allowed that undivided sway in our previous discussions. But, on the other hand, I put it to him—and he no doubt knows the facts of the case—that the import of spirits of this class has very little to do indeed with the general temperance question as it affects the country. The country at large, of course, does not drink the imported spirit. We are dealing only with that spirit, and therefore I think we are justified in putting a good deal, if not entire prominence, on the revenue aspects of the case. Now what have we done since 1916 in this respect? The duty on perfumed spirit has been increased by 177 per cent., the duty on liqueurs by 131 per cent; the duty on spirit by 234 per cent. Now, it is a well known law in these matters, that if you increase taxation by too rapid stages, without giving the consumer time to accustom himself to the increased prices, you do yourself injury from the revenue point of view. I put it to the House that the figures which I have quoted, showing the great increases in taxation since 1916, justify us in claiming that we should not make a further increase in the next year on the scale put forward by the Mover of this motion. But the ground is that if we do so we shall infallibly lose revenue, and we shall not in any way affect the general cause of temperance in the country.

**Mr. President:** The question is:

'That in Schedule I, Part I, in Items 30, 31, 32 and 33, the rate of duty be doubled.'

The motion was negatived.

**Mr. Mahmood Schamnad Sahib Bahadur:** I move, Sir:

'That in Schedule I, Part I, in Items 31, 32 and 33, the duty be raised by 30 per cent.'

We must look at this subject from all points of view, not only from the revenue view point, but from other points also. Though this may not perhaps bring in more revenue, yet this will help to check the habit of drinking. This pernicious habit is spreading very rapidly. I need not dilate upon the evil effects of drinking. Some of my Muhammadan and Hindu brethren for whom drinking intoxicants is forbidden, following the bad example of their European brethren, have begun to drink foreign liqueur also. This habit is almost becoming a fashion. It is gratifying to learn that the leaders of the temperance movement in Europe have succeeded by their commendable endeavours in making many of the Westerners teetotallers, and it is to be hoped that Europe also will soon go dry just as America has by the attempts of Pussyfoot Johnson and others. Let us also hope that our European brethren here, instead of scandalising, will set an example to our erring Indian brethren by totally abstaining from drink. What is to be greatly regretted is that, while our low caste people are giving up drinking, some of our Muhammadan and high caste Hindu brethren are beginning to drink openly.

Therefore, Sir, I think it is quite necessary to check this habit by imposing a heavy taxation. I have asked here only to raise it to 30 per cent. from about 20 per cent With these remarks, Sir, I commend my amendment for the acceptance of the House.

**Mr. T. A. H. Way** (United Provinces: Nominated Official): Sir, having held the post of Excise Commissioner of a province for 7 years, I venture to express a doubt whether frequent and heavy increases of duty on liquor really tend to promote temperance. The danger is that such frequent and heavy increases only very much tend to encourage smuggling. The duty on spirits, which is perhaps the most important item concerned, was raised only last year from Rs. 11-4 per proof gallon to Rs. 18-12, and this year the

Government propose to raise it from Rs. 18-12 to Rs. 21-14. I understand that the present amendment proposes to further raise it to Rs. 24. I believe that such a rapid increase would tend to encourage unscrupulous persons to import bad spirits and smuggle them in without paying any customs at all and the tendency, in my opinion, would be to increase rather than decrease consumption of whisky and to encourage consumption of bad whisky instead of good whisky.

**Rai Bahadur Bakshi Sohan Lal** (Jullundur Division: Non-Muhammadan): Sir, though I am for total prohibition, and consider the evil of drinking foreign liquor as mischievous as that of drinking country liquor inasmuch as it affects injuriously not only the health, wealth and character of the drinker, but also the pockets, property and comforts of the others, but, when one is asked to choose either of two evils as a lesser evil, I support the amendment for increasing the tax in the hope that it may have the effect of reducing the consumption of intoxicating liquor.

The motion was negatived.

**Mr. Mahmood Schamnad Sahib Bahadur:** Sir, I beg to move:

'That in Schedule I, Part I, in item 34, the figures and words '15 per cent.' be substituted for '25 per cent.'

Sir, I do not commend this amendment on the ground of its being a poor man's food. What I say is that India does not produce enough sugar. We have already a tax of 15 per cent. on sugar. Any further increase in the tax is likely to cause a reduction in import and cause a sugar famine. Only two years ago there was very great difficulty in getting sugar. This is also an article of food. Therefore, what I suggest is that this taxation may be delayed till such time when we will have enough sugar produced in India. I, therefore, move the amendment which stands in my name.

**The Honourable Mr. C. A. Innes:** Sir, when last year we raised the import duty on sugar by 50 per cent. I expressed considerable doubts whether we were wise in doing so and whether we might not reduce imports by that large enhancement of duty. As a matter of fact, my prophecy has proved entirely wrong. In spite of the 50 per cent. increase in the import duty, our imports of sugar last year increased enormously, *i.e.*, from 400,000 tons in 1920 to 663,000 tons in 1921. The result has been a very large fall in the price of sugar and as we are very hard up for money, we felt that we should be justified in making another enhancement of this sugar duty. The effect on price is not likely to be felt very much by the people in India, because last year when the duty was 15 per cent. the average price throughout the year was something like Rs. 26.

Owing to very large imports, prices dropped very considerably, and in spite of increased demand, the price to consumers is not likely to be as high as last year. I think that in the circumstances of the case, and having regard to the fact that our enhancement last year had no deleterious effect upon trade at all, I think we are justified in making this further enhancement of duty, and I hope that as there is a very considerable amount of revenue involved, the House will support me in that.

**Munshi Mahadeo Prasad** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, last year I proposed a duty of 25 per cent. on imported sugar, and my proposal was opposed by the Honourable Mr. Innes on the ground that the revenues from the import duty would decrease; but as a matter of fact it has been found by one year's experience that it has not. I would, therefore, suggest that the duty on sugar should be raised to 25 per cent. and, unless it is found that the revenues decrease, it should not be reduced.

**Sardar Bahadur Gajjan Singh** (Punjab: Nominated Non-Official): I rise to support the Honourable Mr. Innes. I think the Government is perfectly justified in raising this duty to 25 per cent. The figures show that we get a lot of sugar from foreign countries, and at the same time in this year of stringency we require money. Therefore, I think that not only in the interests of revenue but in the interests of the promotion of our sugar industry, this is perfectly justifiable. I therefore oppose the amendment of the Honourable Mover.

The motion was negatived.

**Munshi Mahadeo Prasad:** Sir, the motion that I have before the House

That in Schedule I, Part I, in Item 37, the words 'cent. per cent.' be substituted for the words '75 per cent.'

is intended to raise the import duty on cigars and cigarettes from 75 per cent. to 100 per cent. Bearing in mind the principle of taxation and also the principle enunciated by both the Democratic and the National Party, it is in the interest of the country that reductions should be moved in the Budget before this Assembly. I put for the consideration of this House that the proposal I have got is intended specially to benefit the poorer classes. I would submit for the consideration of the House a few points about the history of this import duty. It was in 1916 that the duty on the import of cigars and cigarettes was raised to 50 per cent., *ad valorem*. Sir William Meyer, when laying his financial statement before the House, had said that the duty on tobacco as levied by the Tariff Act of 1916, was cent. per cent. I refer Honourable Members to the proceedings of the Imperial Legislative Council, page 117, of that year. I don't understand why a difference should be made between tobacco and cigars and cigarettes. In spite of the fact that a duty of 50 per cent. was levied in 1916, the markets were stuffed with cigarettes which were being used by juvenile smokers as well as by adults. I submit that in this increased duty we shall be doing a benefit to the country and also to the Government. I beg to submit for the consideration of this House that the Red Lamp. cigarettes have been sold and are being sold most freely in the bazar. Sir, cigars and cigarettes were not used by the people of this country prior to their being introduced by foreign manufacturers. I do not understand why we should give room for exploitation by foreign manufacturers at the cost of the health of the country. This is a luxury and the principle to be adopted for levying taxation on a luxury has already been accepted by Government and non-official Members of the Assembly. I will ask them to remember that this is a great curse to the health of juvenile smokers. If my motion be accepted, I believe that the revenue that will be derived will be about 3¾ lakhs more. Although a duty of cent. per cent. had been levied on tobacco, the import of tobacco has not decreased. I submit for the consideration of this House that my amendment be voted for by it liberally, and that the duty be raised cent. per cent. on cigars and cigarettes.

**The Honourable Mr. C. A. Innes:** I admit of course that tobacco is a very legitimate subject for taxation, and had the Government of India thought that they could have got any revenue at all by increasing the tobacco duties, we should certainly have had no hesitation in doing so; but last year we increased these duties by 50 per cent. What was the result? We reduced our revenue by Rs. 24 lakhs. The revenue in 1921 was Rs. 24 lakhs less than in 1920. The imports of tobacco dropped from 8 million pounds to 3,800. In those circumstances, we thought it only wise to leave the trade alone for some little time to recover before we made any further increase in the duties. I am sure that the House will agree that that was the right line to take.

The motion was negatived.

**Mr. R. A. Spence:** Sir, I beg to move the following amendment:

'In Schedule I to the Bill, in Part II of the Schedule to be substituted in the Indian Tariff Act, 1894, for item No. 37, substitute the following, namely:

| | | | Rs. | A. |
|---|---|---|---|---|
| '37 | Cigars | Pound | 6 | 0 |
| 37 A | Cigarettes | Do. | 4 | 0' |

Sir, I have considerable sympathy with what the Honourable Member who just moved an amendment said, although I myself confess that I think he was going entirely in the wrong way. Before I proceed to move an amendment having anything to do with the tobacco duties, I think that it is only right that I should make it quite plain that I am personally very much interested in this question. Had those who are interested in questions before the House not spoken on the floor of this House, I do not think that we should have had the very interesting debates we have had owing to their having done so. Now, the taxation proposals in the present Budget are, as I think the Finance Member has made it perfectly plain, solely imposed for revenue purposes. Why, therefore, maintain a scale or mode of taxation which decreases revenue and checks imports. It would hardly be necessary, in view of what the Honourable the Commerce and Industries Member has just said to us, that I should labour that point; you have had his evidence but still I might add something to what he said. In England, which is often referred to in India as the wealthy England—wealthy when compared with India—they imposed a duty of 50 per cent.,—50 per cent., mark you, and not 75 per cent. That was imposed for revenue purposes to make up the heavy deficit caused by the war. It was imposed on cigars and cigarettes. This duty has now been taken off and for the sole reason, Sir, that it failed to produce revenue. The 50 per cent. duty has been taken off and a duty has been substituted at the rate of so much per pound, with the result

that there has been a large increase of imports into England. Now, if the duty of 50 per cent. in England—the wealthy England—killed the trade, what has the duty of 75 per cent. done in India? The Honourable Mr. Innes has just told you this. Last year the Finance Member anticipated an increase of 40 lakhs of revenue by the increase in duties that he then proposed. What has been the result? He will tell you that the duties derived from the imports of cigars and cigarettes and manufactured tobacco are 60 lakhs less than that of the previous year. That is to say, in the Budget introduced by the Honourable the Finance Member, there is a difference of one crore of rupees. He anticipated that he would get 40 lakhs more but he got 60 lakhs less. There is a crore of rupees lost because of this mode of taxation The Honourable Member for Commerce and Industries may say that last year the cigarette industry was disorganised and that it was suffering from a slump. It may have been, but I think that the main reasons for the falling off in duty were firstly the increase, a right increase, in the manufacture of cigarettes in this country. I think the Honourable Member for Commerce, when he mentioned his imports just now, left out altogether the imports of unmanufactured tobacco. Now, the revenue derived last year from unmanufactured tobacco imported into this country is, as he will admit, three times what it was the previous year. Now, this shows how very large the increase of imported unmanufactured tobacco has been into India. This unmanufactured tobacco is imported into this country in order that cigarettes may be made in this country, to which cigarettes I think the Honourable Mover of the last amendment was referring when he said that it was a very bad thing that all these boys were smoking them. Well, when we were young we also learned from bitter experience that it was a bad thing for boys to smoke cigarettes, at least if they were found out.

My second reason is, and I want to make it perfectly plain, that it is the form of duty that I am objecting to, and which form has killed the import of cigarettes of a quality which could not be manufactured in this country. That is the chief point. Now you have got two kinds of cigarettes. You have got cigarettes of a quality which can be manufactured in this country and for which we want to do everything we can in order to encourage their manufacture in India. But you have also got a kind of cigarette which you cannot manufacture in this country and which ought to be imported for revenue purposes. Now, I maintain that for revenue purposes the present form of duty charging *ad valorem* is an absolutely wrong one. Where India can manufacture cigarettes she should be encouraged to do so. But where she cannot produce a particular kind of cigarette, there is nothing to be gained by stopping the import of it. And Mr. Innes has told you fairly plainly that this imposition of 75 per cent. duty did stop the import of that quality. My proposal will help the import of the cigarettes and cigars which cannot be produced in this country and will give India a preference in the case of cigarettes which she can manufacture of 4 to 1. As you know that the duty on imported unmanufactured tobacco is one rupee per pound, on manufactured cigarettes my amendment is that it should be 4 rupees per pound. With regard to cigars I am rather afraid of my proposal of Rs. 6 a pound, although it is nothing when compared with 75 per cent. duty on heavy cigars. What I do not want is to kill a goose which is laying any golden eggs. Therefore, Sir, if you permit me, I would make the duty the same both on cigars and cigarettes, namely, Rs. 4 per pound, because I think that Rs. 6 per pound may kill the import of a large number of cigars. Now what will be the result of my proposals? There will be an increase in the imports of high class cigarettes due to the big reduction in the duty paid on them. I want this House to thoroughly understand that my proposals do mean big reductions in the duty charged on expensive cigarettes. There will be a big reduction in the duty charged on these cigarettes. But the result of my proposals will be that the duty obtained by the Government of India on cigarettes imported will be very much greater. Now, there is no taxation which hits nothing. Such cigarettes would probably not pay more than 2 a thousand. If there are cigarettes of a lower price than those imported into this country, I maintain that those cigarettes should be manufactured in this country, and that there is nothing to be gained by this country by the importation of cigarettes below that value. This form of taxation, Sir, has a further benefit of lessening the work of the Customs Department and seeing that in view of our policy of retrenchment we have cut the Customs Department by 5 per cent, any proposal which will lighten the work of the Customs must have the support of the Honourable Member in charge of it. Sir, I commend my amendment to this House in the interests of an Indian industry —the industry of manufacturing cigarettes— in the interests of the revenue of this country and in the interests of those against whom the previous amendment was aimed, namely, in the interests of those who enjoy a good smoke.

**The Honourable Mr. C. A. Innes:** Sir, I am prepared to admit that, from the administrative point of view, it would suit us very well if the Government were able to accept Mr. Spence's amendment. There are technical difficulties in the way of assessing cigarettes and cigars on the *ad valorem* method; from the Customs' point of view it would be very much simpler to assess them at a specific rate, as proposed by Mr. Spence. But, Sir, when I have said that, I am afraid I have said all I can say in favour of the Honourable gentleman's proposal.

I would ask the House to dismiss from its mind all Mr. Spence's *ad captandum* arguments regarding the encouragement of the Indian cigarette industry. We encourage that industry by keeping our duty on unmanufactured tobacco low, and, in addition, we have a 75 per cent. *ad valorem* duty on cigarettes. I am perfectly sure that everybody in the House will agree with me that if an industry behind the tariff wall of a 75 per cent. *ad valorem* duty cannot flourish in India, then it does not deserve to flourish. I am quite sure that the industry has enough protection already.

Now, Sir, let me turn to Mr. Spence's amendment. He proposes to substitute for our 75 *ad valorem* duty on cigarettes a specific duty of Rs. 4 a pound. By some mysterious way this alteration in the form of duty is going to increase our revenue. I do not agree at all. (*Mr. Spence*: 'It would have last year.') I do not agree at all. I should just like the House to realise precisely what the effect of this proposal is going to be. It is going to help very much indeed Egyptian cigarettes. The duty at present on Egyptian cigarettes at 75 per cent. *ad valorem* works out, as I calculate it, to Rs. 6-6 per pound. Under Mr. Spence's proposal that duty is going to be reduced to Rs. 4 per pound, and, therefore, the Egyptian cigarette is going to be helped very much indeed; but this is not going to help our revenue, because the imports of Egyptian cigarettes are absolutely infinitesimal, they are ·7 of the total. 82·7 per cent. of our imports are British cigarettes. The *ad valorem* 75 per cent. duty now works out on those cigarettes at Rs. 3-8 per pound. Under Mr. Spence's proposal it would go up to Rs. 4 per pound. Then, 14 per cent. of our imported cigarettes take the form of cheap American cigarettes. The effect of Mr. Spence's proposal is going to be that the duty on those cigarettes is to be raised from Rs. 2-5 per pound to Rs. 4 per pound. Similarly, with Aden cigarettes, the imports of which are, however, small, the effect of his proposal is going to be to raise the duty on these cigarettes from Rs. 3-1 to Rs. 4 per pound. So, except in so far as the Egyptian cigarette is concerned, the effect of this proposal is a very large increase in our duty on cigarettes. Moreover, the increase falls most heavily on the cheap cigarette, and, therefore, on the poor man's smoke.

Now, I have just explained to the House in connection with the amendment just moved that we did not dare to touch the tobacco duties this year, because we have already given the trade a very severe blow by the 50 per cent. increase we made last year. We have reduced our revenue from all kinds of tobacco from Rs. 1,21,00,000 to 97 lakhs. 97 lakhs was the total revenue in 1921 against Rs. 1,21,00,000 in 1920. The effect of Mr. Spence's proposal, if it is accepted, is going to increase very severely the duty on these cigarettes (*Mr. Spence*: 'Nothing like 50 per cent.'), and, therefore, I say that it is not going to do our revenue any good at all; it is going to cause us to lose revenue.

As regards the Rs. 6 duty on cigars, it seems to me that the proposal would be unfair. It would tax the Havanna cigar at exactly the same rate as the Manilla cigar, and it would probably crush the Manilla cigar out of India altogether. We could not accept Mr. Spence's proposal to reduce the duty to Rs. 4 because we should lose money on it.

On the whole, though, as I have said, from the administrative point of view, Mr. Spence's proposal would suit us very well, yet I do not think that the House should accept it, because as I say, it is unfair to the cheaper class of cigarette. It helps only the rich man's smoke, the Egyptian cigarette, it means another heavy burden on the tobacco trade, and it is going to reduce our revenue. So I hope that this proposal will be rejected.

**Sir Deva Prasad Sarvadhikary:** Sir, like Mr. Spence, I am very much interested in cigars and cigarettes, only in another and entirely contrary direction. I want to see their consumption at an end, if I may. I do not think we ought to countenance anything that will make us suffer from the revenue point of view with regard to this or any other matter. In Mr. Spence's words, his proposal will promote import and I object to it. He is forgetting that, we are not without our supply of poisoning stuff, when we first started the *Swadeshi* campaign, some of our first endeavours were, fortunately for some or unfortunately for us, in the direction of the promotion of *Swadeshi* cigarettes,

Kali brandy and Durga soap. We forgot all about clothes and frittered away our attention on these very great necessities of life. If we concentrated our attention on cloth, many of our problems would have been now solved. But, we thought of cigars or cigarettes as prime necessities. I suppose the trade of which Mr. Spence is so solicitous is suffering because we have facilities enough for poisoning from country cigarettes and country cigars. But I forget I must not say that in the presence of my friends from Madras and Burma, because there, I understand, the cigars are very good, and they will object to my calling these as poisoning stuff.

Mr. Spence has proved to-day one thing, and Mr. Innes has clearly brought it out. You must not take your facts from one who knows all about it or says he does. (Laughter.) The last amendment has ended in smoke; I hope this one also will and more effectively.

**Munshi Mahadeo Prasad:** Sir, the proposal of Mr. Spence means the imposition of import duty by weight. I would draw his attention to the fact that in 1910, when the Tariff Act, No. VIII, was passed, the duty on tobacco, manufactured, was 5 per cent. *ad valorem*. It was in 1911 that the weight system was adopted and passed by the Tariff Act, No. VI of 1911. That was found to be not in the interests of the country and, as I could gather from the speech of Sir William Meyer, it was found inconvenient to the Customs authorities as well as to the importers that the duty should be *ad valorem*, and by the Act of 1916, No. IV of 1916, this duty was levied again *ad valorem*. Mr. Spence did not take into consideration this point. I would like to know, Sir, what would be the effect of his motion on the assessment of the value under the imposition of import duty by the Customs Department. I hold, Sir, that, in view of the experience of the Government which extended from 1911 to 1916, an experience of five years, that his motion should be rejected.

The motion was negatived.

**Mr. President:** Before we take up the consideration of the amendments dealing with kerosene, I propose to call on Mr. Lindsay to move his amendment No. 79. We can take up the import duty on kerosene and at the same time resume the discussion on the excise duty when we go back to clause 6, as these two may fitly be taken together.

**Mr. Darcy Lindsay** (Bengal: European): Sir, I wish to point out in this connection that, if the excise duty is not agreed to, it does not at all follow that the consumer will receive the full benefit, and by giving a further advantage to Burma oil the imports of American oil may fall off, thereby entailing a loss of 2½ annas a gallon in the import duty. The import of American and Borneo oil—I have the figures here—for 10 months of the year amounted to . . . .

**The Honourable Mr. C. A. Innes:** May I ask if Mr. Lindsay is speaking to his amendment No. 79?

**Mr. Darcy Lindsay:** I am speaking on the duty on Kerosene.

**Mr. President:** The Honourable Member did not hear what I said. I called on the Honourable Member to move his amendment No. 79 on the understanding that the amendments relating to kerosene will be taken up later when we take up clause 6 which deals with excise duty on kerosene.

**Mr. Darcy Lindsay:** Sir, I move:

'That Item 41 be omitted from Part II of Schedule I and that the mineral oil referred to therein be re-inserted as an item in Part V of the Schedule liable to a duty of 15 per cent.'

My only object in putting forward this amendment is to give the Honourable the Finance Member a possible source of increased revenue to make up in a small measure for some of the cuts that his Bill has suffered. I have no particular knowledge as to why this import is allowed entry at a low rate of duty, but if there are important reasons, I have no wish to press the point. The oil to which I refer is fuel oil imported from Persia, and lubricating oil from other countries. The total value for the first 10 months of the financial year is I find Rs 3,26,45,000. With a 7½ per cent. increase in the duty this would produce 24½ lakhs, and for the 12 months nearly 30 lakhs. Lubricating oil is in general use and even for such luxuries as motor cars and bicycles.—It may possibly have escaped the notice of the luxury tax officer,—but it is manufacturing concerns that are the heaviest consumers. Now that the cotton mills have escaped the excise duty, they are not likely to object to a small increase in the cost of lubricating oil, and this equally

applies to other similar concerns. As I said before, I am open to conviction, but in the meantime put forward my amendment for the consideration of the House.

**The Honourable Mr. C. A. Innes:** I must say I am rather surprised at this amendment coming from a business man in Calcutta. Our policy always has been to treat at specially favourable rates mineral oils used for industrial purposes, whatever those purposes may be, and the effect of accepting this amendment would be that we should send up costs for industrial installations all over India. Increasing the duty on fuel oils would bear particularly heavily on many small industries in the country. All over the Madras Presidency we now have oil mills, decorticators, pumps and so on, worked with oil engines. Those oil engines burn fuel oil, crude oil, and the effect of this amendment would be that it would send up the cost of power for all these small industry installations all over the country. It is for that and similar reasons that we always maintain our industrial oils at 7½ per cent., and I think the House will agree that on the whole the policy is a right one.

The motion was negatived.

**Lala Girdharilal Agarwala** (Agra Division: Non-Muhammadan Rural): Sir, I beg to move:

'In Schedule I, Part II, delete Item 44 and insert it in Part I and make consequential amendments.'

In the alternative:

'At the end of Item 44 add the following: of 40 counts and above and at the end of Item 22 add the following: and cotton twist and yarn below 40 counts.'

**Mr. President:** The question is:

'In Schedule I, Part II, delete Item 44, and insert it in Part I.'

**Lala Girdharilal Agarwala:** Sir, my object is that yarn shall not be taxed as a corollary of the motion adopted by this Honourable House with regard to the import duty on piece-goods and the excise duty on cotton. I submit that this should also be accepted. I am informed that yarn of high counts are never produced in this country, and if that yarn is taxed it will tell heavily upon the weavers of certain provinces. Furthermore, the yarn of low counts produced in the country is not sufficient for manufacturing purposes. If the low count yarn is taxed further, the result would be that the price of cloth will go up. Therefore, I submit that this amendment of mine should be accepted by the Honourable Member for Government.

**The Honourable Mr. C. A. Innes:** Sir, I feel in a somewhat awkward position in opposing the amendment moved by my Honourable friend, Lala Girdharilal Agarwala. About this time last year, I was engaged in a very heated dispute with my Honourable friends from Bombay as to whether yarn should be taxed or not, and I argued very strongly that, in the interests of the handloom weaver, it would not be right to impose a tax on yarn. Well, Sir, some Honourable Member in the course of the day said that people were necessarily at times inconsistent. In this case my inconsistency is due, as the House will see, entirely to the change of circumstances. I should always have opposed the placing of an import duty upon yarn had it not been for our financial exigencies. I think the House is well aware of the part which is played by imported yarn in India. The production of yarn in India is about 7 hundred million pounds per annum. The import of yarn have never exceeded 50 million pounds per annum. A certain part of these imports are high count yarns which do not compete in any way with the yarns produced by the Indian mills. The rest are yarns below 40 and these yarns are imported from England or from Japan, and compete only to a small extent with the yarn produced in India. But that yarn imported, though it is only a small proportion of the yarn used by the handloom industry, exercises an important function in that it helps to regulate the prices of Indian mill yarn. Last year I opposed the imposition on this ground of any duty on yarn. This year, as the House knows, we have a deficit of 34 crores of rupees. The hand loom industry is, I am glad to say, flourishing, possibly owing to the non-co-operation campaign and the khaddar campaign; and having regard to the very large deficit with which we are faced, I think myself that we are justified in placing this small impost upon imported yarn, an impost of only 5 per cent. It will yield us 50 lakhs of rupees and having regard to all the circumstances of the case, I think that the House will see that we are justified, in spite of our pronouncements last year, in proposing this small duty.

**Mr. President:** The question is:

'In Schedule I, Part II, delete Item 44 and insert it in Part I.'

The motion was negatived.

(At this stage Mr. President called upon Mr. Shahani to move his amendment, No. 89 on the list.)

**Rao Bahadur T. Rangachariar:** I have got an amendment to move with regard to item 44.

**Mr. President:** The Honourable Member's amendment is equally to omit Item 44. The House has just negatived a similar amendment by Lala Girdharilal Agarwala.

**Rao Bahadur T. Rangachariar:** The amendment of my friend, Lala Girdharilal Agarwala, makes a distinction between 40 counts and below.

**Mr. President:** I put it from the Chair, namely, the motion to delete Item 44 and insert it in Part I. The House has just decided not to do so.

**Rao Bahadur T. Rangachariar:** We did so under a mistake. We thought that my Honourable friend was dealing only with the 40 counts.

**Mr. President:** I cannot go back on the decision of the Assembly.

**Rao Bahadur T. Rangachariar:** We will have to vote against the whole section if that is so. It is a pure mistake on our part. We did not understand the amendment.

**The Honourable Sir Malcolm Hailey:** May I be allowed to point out that we followed Mr. Agarwala's speech very carefully. He did not refer to 40 counts at all. It was a complete exclusion.

**Mr. President:** The Honourable Member knows that he cannot move two amendments at once. I put the amendment twice from the Chair.

**Mr. P. P. Ginwala:** I only heard the alternative amendment.

**Rao Bahadur T. Rangachariar:** The House will perhaps permit us.

**Mr. President:** I see no way open to the Chair to allow the Honourable Member to correct the error. I confess I was as much surprised as the Honourable Member that the debate collapsed after two speeches, seeing that five Members have put down amendments to delete Item 44.

**Rao Bahadur T. Rangachariar:** It is a very vital matter affecting nearly 3 million people and we were labouring under a mistake. May we move it as an amendment to No. 89?

**Mr. President:** I hesitate to suggest it to the Honourable Member, but I cannot go back on the decision made by the House, much as I am willing to meet the Honourable Member on the merits of the case, which, however, do not concern the Chair. If I were to allow this request, a situation might arise in the future when he or some other Member would recall this precedent in order to do something improper. This is an irregular procedure and it would set up a bad precedent.

**Mr. N. M. Joshi:** May I point out that an amendment could be moved to Mr. Shahani's motion substituting 1 per cent. in the place of 15 per cent. The duty of one per cent. will practically be no duty and that is the only way out of the present difficulty.

**Mr. S. C. Shahani:** I want to inquire if I could change my amendment from 15 to 1 per cent.

**Mr. President:** I have no objection to the Honourable Member moving his amendment in that form.

**Mr. R. A. Spence:** I have a 15 per cent. amendment. Mine should be taken up first.

**Mr. S. C. Shahani:** I beg to move that in Item 44 . . . .

**Mr. R. A. Spence:** On a point of order, Sir, 15 per cent. surely has preference over 1 per cent.

**Mr. President:** I think the Honourable Member had better move the amendment in the original form We can have an amendment moved to it.

**Mr. S. C. Shahani:** My amendment runs thus:

'That in Item 44, the figures and words '15 per cent.' be substituted for '5 per cent.'

**Mr. R. A. Spence:** Before any other amendments are made to this, I, as having a similar amendment, had better get up and say what I have to say.

I feel, however, that with regard to the 15 per cent. duty it is rather leading a forlorn hope. I had some amendments to try and help Government to meet this deficit and they have been thrown out. We have done all we can do. Those of us who do not wish to put taxation on the poor but to get other forms of taxation imposed do not see the reason why only this 5 per cent. duty has been put on. There is a large section of people in India who do not see why Japan should be favoured at the expense of the mill-owners or manufacturers of India. There is a very small community in India that could possibly be hurt by this duty—you are going to hear about them from our friends from Madras—but I would ask the Members of this House to bear in mind that any alteration which you make on the lines proposed by our friends from Madras is going to benefit Japan at the expense of Indian mills Is that right? I will not detain the House any longer, Sir. I support the original motion that was proposed by Mr. Shahani in such a—not even half-hearted, quarter-hearted, manner. (Laughter.)

**Mr. T. V. Seshagiri Ayyar** (Madras : Nominated Non-Official) : Sir With your permission I move :

' That in the amendment '½ per cent.' be substituted for '15 per cent.'

(Laughter.) Yes, '½' be substituted. Mr. Spence has just now referred to the very small portion of the people who would be benefited by it. I may tell him that 6 million of people would be affected if this duty is raised to 5 per cent., and if Mr. Spence has his way and it is raised to 15 per cent., it will kill the industry on which the lives of 6 million of people depend. Sir, up till now there has been no duty at all upon yarn, and as the Honourable Member for Commerce pointed out, last year when an attempt was made to impose a duty, it was resisted by the Government on the very ground I am putting forward, namely, it would make the position of a large part of the people in our part of the country and elsewhere miserable. Sir, I will give some figures to show the quantity of cloth produced and the extent to which the industry is giving employment to the people of this country. As I said, there are 6 million people who are engaged in this trade. 2 million come from Madras, and it will be found that, one-fourth of the population of this country are being clothed by the cloth manufactured by the hand-loom weavers; and out of this one-fourth Madras produces one-third of the one-fourth, and so one-twelfth of the population of this country are being clothed by the hand-loom industry of Madras. Sir, 280 million lbs. of yarn are being used by this industry, of which about 140 are taken from the Bombay mill-owners,—for whom Mr. Spence has been so very anxious, and whose friend he has proved to be at this moment but not always. (Laughter.) Now, Sir, it will be found that the higher counts of yarn are not produced in this country. The figures that I have been able to get show that, so far as counts 1 to 10 are concerned, 84 million lbs. are produced here and nothing comes from outside India. From counts 11 to 20, 8 million lbs. are imported into India, and 360 are produced in this country. From 21 to 40, 4 million are imported, and 199 produced here. From 31 to 40, 23 million are imported and 15 million are produced in India, and above that there are hardly any mills in this country which produce the higher counts. The higher counts come either from Japan or from America or from the United Kingdom, and it is well known that these higher counts of yarn are almost exclusively utilised by the hand-loom industry. I believe out of the 47 million lbs. imported only 3 million are used in some of the Bombay mills,—one in Sholapur and another run by my friend, Mr. Manmohandas Ramji, in Bombay use these higher counts of yarn; and, therefore, Sir, practically all the higher counts of yarn are utilised by the hand-loom industry; and if you are going to put a duty upon them, it will surely kill it.

**Mr. Jamnadas Dwarkadas :** What is the total quantity imported ?

**Mr. T. V. Seshagiri Ayyar :** The total quantity imported is 47 million pounds, in higher counts.

As regards lower counts, as my friend, Mr. Jamnadas Dwarkadas, is anxious to have the figures, in addition to what is being taken from the Bombay mills, 100 million lbs from Japan are being utilised by the hand-loom weavers. Now, Sir, it may be said, as the lower counts of yarn are being produced in this country, therefore, why not give protection to the Bombay mill-owners as against Japanese mill-owners ? I ask, if you put a five per cent. duty upon Japanese and Manchester yarn, what would be the result ? You will find that the Bombay mill-owners will put up the price of the yarn which they are producing in this country.

**Mr. N. M. Samarth:** No.

**Mr. T. V. Seshagiri Ayyar:** Mr. Samarth is not a mill-owner. I know that it is human nature, human instinct. When you find that the foreign yarn is being taxed, the producers of yarn in this country will naturally feel tempted to put a high price upon their yarn.

**Mr. R. A. Spence:** I do not wish to interrupt the Honourable Member, but might I ask him whether he used that argument when he threw out the excise duties? He put it the other way about then; he is not consistent.

**Mr. T. V. Seshagiri Ayyar:** Mr. Spence has referred to the question of the excise duties. I may tell him that I did not speak upon the question of the excise duty. I think, as I have been pointing out, that if this duty is levied upon Japanese yarn, it would inevitably result in the Bombay mill-owners raising the prices of their yarn. As a matter of fact, the Bombay mill-owners are enjoying large privileges as against the hand-loom industry. I will mention one. There are 263 mills in this country and out of these, all but 21 produce their own yarn. That is a well-known fact and the result of it is this. One department of a mill sends its yarn to another without any difficulty, whereas the hand-loom industry has to suffer this inconvenience,—it has to go through the middleman. It has to pay packing charges and so on; consequently, as has been calculated by the Director of Industries in Bihar and Orissa, the hand-loom weaver suffers to the extent of 20 per cent. against the Bombay mill-owner, who has only to transfer from one end to another his yarn to manufacture the cloth therefrom. Now, if in addition to this, you impose a five per cent. duty, you would be benefiting an industry which has largely benefited by the war, which has made immense profits during the war, and which will surely kill the hand-loom industry. The question is whether Government is prepared to contemplate with equanimity such a handicap to an industry on which a large number of people are depending for their livelihood. There is one thing more, and it is this. There is a large class of people who are not solely devoting their time to hand-loom weaving; a large portion of agriculturists occasionally devote their time to this industry. In many parts of the country these people in the morning go to their fields and cultivate and in the afternoon they come back and take up the work of spinning; and in the season when there is no agricultural work to be performed, these people take to this weaving industry. The result of imposing the duty would be that during seasons when there is no agricultural work to be done, these people would be practically without work and would suffer considerably.

As a matter of fact, so far as Madras is concerned, I think Mr. Innes knows it too, whenever there is a famine in that Presidency, the first people to whom relief has to be given are these people. Every famine report, if the House had the patience to read them, would convince the Members that the moment there is a famine in the land the hand-loom weavers are hardly hit; and if their only other occupation, during times when no agricultural operations are possible, is taken away from them their lot will be unenviable. Under these circumstances, I submit that it is not right that a duty of 5 per cent. should be imposed upon yarn.

There is one other point which I should like to make. The value of the cloth produced by the hand-loom weaver is estimated at about 50 crores of rupees, and of this about 15 crores of rupees worth of cloth comes from Madras alone. If this duty is imposed, you will find they will have practically to give up their occupation. It is a very serious problem for any Government to face. Is it worth while for the paltry sum of 50 lakhs of rupees when we are dealing with crores, to throw out of employment as many as six millions of people in this country? It is a very serious problem and I trust the Government will consider it very carefully before recommending that this duty should be imposed.

**Rao Bahadur T. Rangachariar:** Sir, I remember a friend of mine who was Dewan to an Indian Ruler. The Indian Ruler was in difficulties and he was thinking of various items of taxation. One particular item particularly suggested itself to him and he consulted his Dewan. He said: 'I am very sorely perplexed as to how to carry on the administration of the country. The time has come for me to raise an additional source of revenue.' A particular source was suggested, and the Dewan put a note in these terms:

'I would not do what you propose. It would hit the hand-loom industry very hard.'

I also remember another story. A friend of mine was a graduate. Unfortunately he was not well-off in life. (*A Voice*: 'Most graduates are not.') He had been taught the moral laws; he knew that theft was immoral and illegal;

but his stomach was empty. He passed by a baker's shop and saw a big slice of bread exposed. Three times he resisted the temptation, but, re-passing again, his starvation was so great he thought he would do it and he took the slice of bread. I am afraid that that is the position occupied by my Honourable friend, Mr. Innes, to-day in justifying the imposition of this tax. When acting in the position of Dewan to the Honourable Member in charge, the Honourable Mr. Innes was told: 'Here is yarn. By putting on a duty you can make about 50 or 60 lakhs of revenue.' Then my Honourable friend's reply was:

'This is an attractive proposition. In these days so attractive that, when I was talking to a friend of mine from Bombay, he said to me: 'What is the reason why the Government of India have not made this proposal already . . . .'

My compliments to the Honourable Mr. Spence.

'Is it not a fact that there is some secret treaty with Japan?'

Well, Sir, there is nothing so mysterious, nor so exciting as that—this proposal was considered, and the short note which I have already read put on record:

'Yarn is not on the free list now. For five and twenty years it has been on the free list. It is part of our traditional policy to keep yarn on the free list. The reason why in 1896 it was transferred to the free list was to assist the hand-loom industry. The reason why we do not think fit to do so now is simply and solely in the interests of the hand-loom industry.'

And, Sir, quite unusually, I am not referring to any words of mine in supporting the position we take up to-day. My Honourable friend has experience of Madras as Director of Industries. I know from my personal knowledge that he was a great helper of the hand-loom industry, and it was in his time that great assistance was given by encouraging the co-operative movement among the weavers. In other ways too, I know, from personal knowledge, that my Honourable friend took a great deal of interest for he knew the condition of the weavers. I read again:

'Now, Sir, I think the House will realise that an industry of that magnitude requires some consideration from us. Moreover, from my experience as Director of Industries in Madras, I know what a hard time this hand-loom industry has to keep its head above water . . . . .'

'Head above water,' I commend those words, Sir:

'At one time I tried to assist some of them by supplying them with yarn and buying their cloth. I ascertained that a family of 2 or 3 working say, anything from 12 to 14 hours a day, could at the most make from Rs. 15 to 20 a month . . . . .'

Has the Honourable Member forgotton that? Is that the pitiable position which Honourable Members occupy when once they become Executive Councillors?

'The hand-loom industry has the greatest difficulty in maintaining itself against the mills, and I do not think this House, not at any rate until the Fiscal Commission has had time to inquire into it, should accept this proposal and should tax the imports of yarn.'

I do not think, Sir, that any words of mine can fall with greater effect on this Assembly.

**Mr. Jamnadas Dwarkadas:** Sir, I am very sorry I have to rise to oppose the amendment moved by my Honourable friend, Mr. Seshagiri Ayyar. I know that his motive in moving this amendment is, if I may say so, a very noble one. He is under the impression, I think under a misapprehension, that the six millions of hand-loom weavers will be thrown out of work the moment the news reaches them that a five per cent. duty is imposed on imported yarn. I admire his solicitude for the six millions of hand-loom weavers, but I am afraid I cannot agree with him in his view that these six million people will be thrown out of employment immediately the news reaches them of the imposition of this five per cent. duty. I am afraid the one person who has encouraged him in coming to that conclusion is my Honourable friend, Mr. Innes. Last year my Honourable friend, Mr. Innes, opposed me vehemently when I moved that a duty of 11 per cent. on yarn should be imposed.

I am glad that, although Government take their own time in coming to the right conclusion, at least in this case they have come if not to the right conclusion, at least to the half right conclusion. They still stop at 5 per cent. They have not accepted the suggestion to have the whole 15 per cent. or, as the case was, to have the 11 per cent. duty on yarn. Sir, I honestly think that if there was any force in this argument that 6 million people will be thrown out of employment, I should have been the last man here to stand up and to support the proposal for a duty. As a matter of fact, I am inclined to support the proposal made by my Honourable friend

Mr. Spence, rather Mr. Shahani, that 15 per cent. duty should be imposed on imported yarn, but under any circumstances I hope the Assembly will not consider the proposal made out of best motives I admit, by my Honourable friend, Mr. Seshagiri Ayyar, that even the 5 per cent. which the Government now proposes should be abolished. Sir, let us come to facts. As the Honourable Mr. Innes pointed out last year, this country has produced in a year 700 million pounds of yarn. The largest quantity that has been imported is 50 million pounds. In one year it fell to 15 million pounds. Well, let us take it that the largest quantity that is imported is 50 million pounds, and out of that the quantity of yarn that is above 40's and against the duty on which my friend, Mr. Seshagiri Ayyar, complains, has hardly ever been more than 12 millions. I think I am right. I am quoting from the Honourable Mr. Innes' speech. The imports of yarn from the United Kigdom were 12 million pounds. Now, I put it to the House. Your country can produce 700 million pounds. Would it be right for any one to get up and say that you must reduce your productive capacity because we want to import some Japanese yarn. That will be the effect of it under any circumstances. If you can produce 700 million pounds, so far as the lower counts are concerned, there is not the slightest doubt that Indian mills are capable of producing any quantity that is required for consumption by the hand-loom weavers and by others. To argue that due to the comparatively small quantity that comes from Japan, the price of yarn, for which we have the capacity to produce 700 million pounds, will go up is a thing which I do not think any business man can understand. My Honourable and esteemed friend, Mr. Seshagiri Ayyar, will, I hope, pardon me. If 700 million pounds are produced in this country and a comparatively small quantity comes from outside, so far as the lower counts are concerned, do you think the price of the 700 million pounds can ever be regulated by a fraction of the quantity coming from Japan? At the same time, I do not wish to use any arguments in favour of protection. But to me it does not seem to be quite a patriotic thing. My Honourable friend, Mr. Seshagiri Ayyar, will pardon me for saying so. Even though your countrymen have the capacity to produce, you are allowing a country like Japan, which takes away cotton from here and manufactures it into yarn, to dump the yarn into this country. Japan is using this country as a dumping ground only to hurt your industry. I think it would not be quite a patriotic thing to allow this duty to be abolished in order to help Japan to hurt our industry and to promote its own industry.

**Mr. Manmohandas Ramji:** May I know whether Mr. Jamnadas is supporting the 15 per cent. duty now?

**Mr. Jamnadas Dwarkadas:** I am only trying to put my argument in favour of 5 per cent duty. I said I would have been inclined to support the 15 per cent. Honestly, I feel that I am very moderate in my suggestion. I would have certainly suggested that we should support the 15 per cent. duty, but I am not going to do so. I will say that for revenue purposes the 5 per cent. duty will mean no hardship either to the hand-loom industry nor will it mean the imaginary hardship which my Honourable friend thinks will be entailed upon 6 million people who will be thrown out of employment. Now, that is with regard to the lower counts.

Taking the finer counts, as I said, the finer counts are imported in a very small quantity. What will be the result of the 5 per cent. duty on finer counts? My Honourable friend says that Madras will be the province which will suffer most. In the first place it is a small quantity, at the most 12 million pounds. I know Bombay mill-owners take the finer counts and the Ahmedabad mill-owners take large quantities of counts above 40, which they certainly cannot produce here. These mills do take up a large quantity. The remaining quantity is probably taken up by Madras.

(At this stage Mr. Deputy President took the Chair.)

If a fraction of 12 million pounds is taken up by Madras, I cannot understand that a 5 per cent. duty will throw 6 million people out of employment. Now, surely you want certain facts in favour of the argument to convince you that such a large number of the population will be thrown out of employment. Now, take another argument. We have heard for the last two days that finer cloth is not being used in this country by the poorer classes. It is the richer classes who consume the finer cloth. Now, the very fine turbans and the very fine chaddars that my Honourable friends from Madras wear (*Rao Bahadur T. Rangachariar*: 'You also wear') are the work of the hand-loom weavers made out of the finer counts that they import from foreign countries, England mostly. But I want to tell these Honourable friends that if a 5 per cent. duty is imposed on foreign yarn, it might be that they may have to pay a little more for their turbans. (*A Voice*: 'What about the 4 per cent. excise

duty ?') But I do not think that it will throw 6 million people out of employment under any circumstances, because I know that the sympathy of my Honourable friends towards hand-loom workers is so great that they forget that those who can afford to spend Rs. 17 for a turban will easily afford to spend Rs. 18 on a turban. Now, if the burden is to be borne by the richer classes and if it does not in any way affect the 6 million people, to whom my Honourable friend refers, I ask this House whether in a year of stringency a 5 per cent. duty should or should not be legitimately imposed on an article like yarn. I think it is a very strong case, it is a case against which there could be no argument, unless imaginary arguments are brought forward. I therefore appeal to this House, that, taking into consideration all these facts, it will not have the slightest hesitation in imposing this 5 per cent. duty.

**Mr. Harchandrai Vishindas:** Sir, I think it becomes necessary for me at this stage to speak, although I had no intention of making a speech, in order to counteract the effect which probably Mr. Jamnadas' pathetic and characteristically eloquent appeal might create in the House, and so that the House might not be misled into thinking that he is right. I will simply trouble the House by quoting from that very speech of Mr. Innes delivered last time, from which quotation has been made by Mr. Rangachariar, to contradict everything that Mr. Jamnadas has said (Hear, hear), and I shall after quoting that simply sit down. I do not want to trouble the House with any other arguments :

'Now, Sir, I will take first Mr. Jamnadas' argument based upon protection. He tried to make our flesh creep by pointing out how dangerous the competition with Japan in the matter of yarn was. Well Sir, all I can say is that figures do not support that contention, at any rate, not to any extent The production of yarn in India since 1912-13 has never been less than 615 million pounds in a year, and in one year it rose to 722 million pounds. Now, in the same period the imports of yarn have never exceeded 50 million pounds and in 1919-20 they were only 15 million pounds. There you have the figures. On the one side, you have a production which has never been less than 600 million pounds and, on the other side, you have an import which has never been greater than 50 million pounds Now, that does not look as if the Indian mills have very much to fear from foreign competition. But, Sir, Mr. Jamnadas Dwarkadas went on to say that whereas before the war Japan had a very small share of our trade in yarn, since the war her share in the yarn trade has risen to 72 per cent. It is perfectly true that in 1918-19 the imports of yarn from Japan, for some reason with which I am not acquainted, rose enormously. In 1917-18, the imports of yarn from the United Kingdom were 15 million pounds and from Japan 4 million pounds. In 1918-19, the imports of yarn from the United Kingdom were 9 million pounds while those from Japan rose to 27 million pounds, but let us take the figures,—and this is the point which I wish the House to realise,—let us take the figures for the following year 1919-20. What happened then? The imports of yarn from the United Kingdom were 12 million pounds and how much was the import from Japan? 1,900,000 pounds (one million, nine hundred thousand); therefore, there is a drop from 27 million pounds in 1918-19 to 1,900,000 pounds in 1919-20.

It is perfectly true that in the current year, 1920-21, the imports of yarn from Japan and from the United Kingdom have both increased. They have increased for reasons with which we are all aware. In the early part of 1920-21, the exchange value of the rupee was very high; consequently large orders were placed everywhere, and we have been getting large quantities of yarn in response to these orders. But the large increase in imports of yarn in 1920-21 is due to temporary causes: I doubt very much whether it is a permanent phase, and I doubt very much whether the cotton industry in Bombay has much to fear from anybody from Japan, the United Kingdom or anybody else.'

As regards the lower and higher counts, I shall read a quotation from the same page :

'Now, Sir, I turn to another aspect of the question, namely, the hand loom industry We know, Sir, that most of the yarn, the high count yarn, which comes into this country, is used almost entirely by the hand-loom industry; it is hardly used in the mills at all. Now, Mr. Jamnadas Dwarkadas has tried to stymie this argument by suggesting that he is quite willing to confine his proposal to tax yarns to yarns of 40 counts and below. I will assume, therefore, since the House knows that high count yarns are not spun in this country and since the hand-loom industry is dependent upon imports from foreign countries for the high count yarns that it requires, that the House will accept that suggestion of Mr. Jamnadas Dwarkadas and will not accept the proposal to tax at any rate yarns above 40's.

But I now come to the proposal to tax yarns below 40's. I have got some figures here showing the production of yarn below 40's in this country and the import of those yarns We will take yarns from 1's to 10's and from 11's to 20's. In 1919-20, there were 431 million pounds of yarn of these counts made in this country and 458,000 pounds were imported from abroad. Now, is there any necessity to tax the small amount of yarn that comes in? Of 21's to 30's 183 million pounds were made in the country, 1 million pounds were imported. Of 31's to 40's 17 million pounds were made in the country, 6 million pounds were imported.'

Now, Sir, what does this all mean? That Mr. Jamnadas Dwarkadas is not only wrong in his figures but in his arguments. From Mr. Innes' own mouth I give my answer to Mr. Jamnadas Dwarkadas.

**The Honourable Mr. C. A. Innes:** I am sure the House is tired of hearing my speech of last year read out in full. I suppose, Sir, that I ought

to be covered with confusion and shame; but I am not in the very least. I hold to all I said last year. I regret very much that we have been compelled to propose this tax, but the House will observe that we have not gone as far as Mr. Jamnadas and others would have had us go last year Thus, we asked for a duty of 11 per cent., but we have not felt justified in going further than 5 per cent. My justification for going that far, and my changed attitude, surely must be evident to every single person in the House. What is the good of raking up these old speeches, when we are working on entirely different conditions (*A Voice*: 'Your speech is only 12 months old'.) But what has happened during those 12 months? Is it not up to us to bridge that deficit, even if it means going back on our traditions and our policy. I hold by all I said last year. I do not agree with Mr. Jamnadas. I still hold that these small imports of foreign yarn do give very great help to the hand-loom industry, in that they regulate the price. To that extent we are putting a slight burden on the hand-loom industry. But what Mr. Rangachariar has not noticed is that it is not going to be nearly such a blow as he thinks, because prices of yarn have dropped since last year. What were declared values last year? Rs. 2-14-6, 1921-22 Rs. 2-13-10 and January this year, Rs. 2-1. Thus, in spite of our 5 per cent., hand-loom weavers are not going to pay nearly so much as they did.

The whole justification for this small tax is simply the necessities of the moment. We are already ten crores down and I hope that the House will, therefore, reject this amendment.

**Mr. N. M. Samarth:** The House will remember that last year I brought up a proposal, at least I advocated the view, that our import duties be raised from 11 to 12½ per cent. and the gentlemen who have to-day supported the amendment were my opponents (*A Voice*: 'Who are they?') Their names are given in the Division List. They are writ large and cannot be erased so easily as my friend fancies. Well, Sir, Government opposed it because they thought that 11 per cent. would give them enough revenue, and that was the ground on which they opposed it. I was of opinion that the Government's calculations were going to be upset; 'The best-laid schemes of mice and men gang aft agley'; and such schemes of the Honourable Finance Member, based on 1*s.* 8*d.* as the average rate of exchange, were going to be upset. I pleaded to this House, therefore, to raise the import duty from 11 to 12½ per cent. There was also a proposal to impose a duty on yarn. At the time Government opposed the proposed duty, as they did not want more money. Last year, the deficit of 18½ crores was provided for by taxation which Government had proposed, and that deficit has been increased to 34 crores, and we have in view a deficit of 31 crores which we have to provide for, at least in part, by taxation. That being so and also because on the last occasion the Honourable Mr. Innes and for the matter of that the Finance Member also, adopted an attitude of opposition, it does not follow that that opposition is tenable having regard to our financial conditions to-day. Now what is this five per cent. of duty on yarn going to be? As everybody knows, the hand-loom weavers of Madras, for whom there is so much genuine sympathy on the part of Mr. Seshagiri Ayyar and Mr. Rangachariar, are no doubt on their brains because their products are at any rate on their heads. And I can quite see that because a little over five per cent. will increase the cost very slightly of what is on their heads or round their necks, they are anxious to see that five per cent. duty is not realised or raised by Government. Well, I do say that in human nature there is such a thing as self-interest. Perhaps according to a certain school of economists, the dismal science is itself based upon that basis. But, Sir, Mr. Seshagiri Ayyar interjected that I am not a mill-owner. I am not and I am glad that I am not, and I am therefore in a position to take a detached view of this question and therefore the opinion that I beg to submit to this House will, I hope, carry greater weight than the opinions expressed by those whose pockets are touched as also of those who are mill-owners. Sir, when their pockets are touched, then they become mealy-mouthed philanthropists, and all that excellent doctrine of sympathy for the hand-loom weavers is poured out. I trust the House will see through all this and will rise to the occasion and support this Government proposal.

**Mr. Darcy Lindsay:** I move that the question be now put.

**Mr. Deputy President:** Amendment to the amendment moved:

'That ½ per cent. be substituted for 15 per cent.'

The question is that that amendment be made.

The Assembly then divided as follows :

AYES—31.

| | |
|---|---|
| Abdul Majid, Shaikh. | Misra, Mr. P. L. |
| Agarwala, Lala G. L. | Nag, Mr. G. C. |
| Ayyangar, Mr. M. G. M. | Nand Lal, Dr. |
| Ayyar, Mr. T. V. Seshagiri. | Neogy, Mr. K. C. |
| Bagde, Mr. K. G. | Rangachariar, Mr. T. |
| Bajpai, Mr. S. P. | Reddi, Mr. M. K. |
| Bhargava, Pandit J. L. | Shahani, Mr. S. C. |
| Bishambhar Nath, Mr. | Singh, Babu B. P. |
| Das, Babu B. S. | Sinha, Babu Ambika Prasad. |
| Ginwala, Mr. P. P. | Sinha, Beohar Raghubir. |
| Gulab Singh, Sardar. | Sohan Lal, Bakshi. |
| Hussanally, Mr. W. M. | Srinivasa Rao, Mr. P. V. |
| Lakshmi Narayan Lal, Mr. | Subrahmanayam, Mr. C. S. |
| Latthe, Mr. A. B. | Subzposh, Mr. S. M. Z. A. |
| Manmohandas Ramji, Mr. | Vishindas, Mr. H. |
| Man Singh, Bhai. | |

NOES—47.

| | |
|---|---|
| Abdul Quadir, Maulvi. | Keith, Mr. W. J. |
| Abdul Rahman, Munshi. | Lindsay, Mr. Darcy. |
| Aiyar, Mr. A. V. V. | Mahadeo Prasad, Munshi. |
| Aiyer, Sir P. S. Sivaswamy. | Misra, Mr. B. N. |
| Akram Hussain, Prince A. M. M. | Muhammad Hussain, Mr. T. |
| Amjad Ali, Maulvi. | Mukherjee, Mr. J. N. |
| Barodawala, Mr. S. K. | Percival, Mr. P. E. |
| Bradley-Birt, Mr. F. B. | Ramayya Pantulu, Mr. J. |
| Bray, Mr. Denys. | Rao, Mr. C. Krishnaswami. |
| Bryant, Mr. J. F. | Renouf, Mr. W. C. |
| Chatterjee, Mr. A. C. | Samarth, Mr. N. M. |
| Clarke, Mr. G. R. | Sapru, the Honourable Dr. T. B. |
| Crookshank, Sir Sydney. | Sarvadhikary, Sir Deva Prasad. |
| Dentith, Mr. A. W. | Schamnad, Mr. Mahmood. |
| Faridoonji, Mr. R. | Sharp, Mr. H. |
| Fell, Sir Godfrey. | Spence, Mr. R. A. |
| Gajjan Singh, Sardar Bahadur. | Thackersey, Sir Vithaldas D. |
| Habibullah, Mr. Muhammad. | Tulshan, Mr. Sheopershad. |
| Hailey, the Honourable Sir Malcolm. | Vincent, the Honourable Sir William. |
| Hullah, Mr. J. | Waghorn, Colonel W. D. |
| Innes, the Honourable Mr. C. A. | Way, Mr. T. A. H. |
| Jamnadas Dwarkadas, Mr. | Webb, Sir M. dePomeroy. |
| Kabraji, Mr. J. K. N. | Zahiruddin Ahmed, Mr. |
| Kamat, Mr. B. S. | |

The motion was negatived.

**Mr. S. C. Shahani:** Sir, I beg to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Lala Girdharilal Agarwala:** Sir, the amendment which I beg to move before this Honourable House relates to the reduction of the duty on matches:

'In Schedule I, Part II, in Item 45 (Matches), in column 4, substitute 0-12-0 and 0-3-0, respectively, for 1-8-0 and 0-6-0.'

The duty this year has been doubled. Sir, matches are a necessity for the poor, and, as such, the principle which was laid down in this Honourable House at the time when it was proposed to reduce the duty on imports from 15 per cent. to 11 per cent. applies equally to this amendment of mine. Matches are not manufactured in India at present to such a large extent as to meet the necessities of the poor, and, as such, it is necessary that we should have a free or nearly free import of matches to meet the consumption of the country.

On these grounds, Sir, I move that the duty on matches be reduced.

(At this stage, Mr. President resumed the Chair.)

**The Honourable Mr. C. A. Innes:** I hope that the House will not accept this amendment.

It is perfectly true that last year we put a heavy duty upon matches and that, this year, we propose to double a duty which was severely enhanced last year. As a matter of fact, the effect of our enhancement of last year upon the matches trade was not very great. It is a fact that we did reduce the import of matches, but we did not reduce them as much as might have been expected. Our imports in 1921 were on the same level as our imports in 1919.

As the House knows, we must have revenue this year, and we must have it by additional taxation. This enhanced import duty on matches will, we think, bring in an extra revenue of 95 lakhs of rupees. I deny altogether that it will hit the poor man to any great extent. I have

worked out the figures here and I find that the average consumption of matches in India is only six boxes per head per annum, and that means that our increased duty will put an additional burden of six pies per annum upon the poor man. I am sure that the House will agree that that is not a very serious matter, and I hope that, in view of the fact that there are 95 lakhs now at stake, and that our deficit at the present moment stands at over ten crores of rupees, the House will not deprive us of the additional revenue which we expect to get from this tax. I hope the House will reject this amendment.

**Haji Wajih-ud-din:** Sir, it seems quite unnecessary to proceed by proving that matches are one of the ordinary household necessities No one considers them a luxury, and the burden of taxation will certainly fall upon the poor, so much so, that I am afraid they will not in any way be able to bear it. The average price of ordinary matches is something about Rs. 1-8 per gross, and to tax them at Rs. 1-8 is nothing less than cent. per cent., a rate at which even the greatest luxuries are not proposed to be taxed. I am confident that the House will act wisely not to assent to the high rate proposed.

**Mr. N. M. Joshi:** Sir, I rise to support this amendment, because matches is one of the articles which are absolutely necessary for every one. Already, there is a very heavy tax on matches, and I do not know why that tax should be increased now.

Sir, I do not know whether the Government really wants a revenue of nearly a crore of rupees from increased tax on matches, when they sacrificed more than a crore so very willingly this morning. (Cries of 'Hear, hear.' *The Honourable Sir Malcolm Hailey*: 'No, no'). I do not wish to go into the reasons why they sacrificed that revenue; if I do it, I shall provoke an angry ejaculation from my Honourable friend, the Finance Member. (Hear, hear.) My reason for supporting the amendment, Sir, is that matches are heavily taxed even now, and there is no reason why the tax should be increased, especially when it falls upon the poorest classes of people. It has been said that in India people have been getting more wages now and that the tax will not be very heavily felt by them But, when people talk about increase of wages, they do not really go into the matter very deeply. Do they mean to say that the average income of people has gone up? I do not think they mean that. In support of my statement I will give one instance, namely, the wages on the plantations in Assam, about which I spoke very recently. It was said by the Honourable Member for Commerce that these people working on the plantations were rolling in wealth and in comfort. And what is the wage there? Rs. 5 per month for an adult male, Rs. 4 for a woman and Rs. 2 for a child. The average comes to less than Rs 4 a month. Sir, one of my Honourable friends here, Mr. Rhodes, said that people leave their villages and go to these plantations, because the wages in their villages are smaller. I admit the correctness of that statement. So if the average wage on the plantations is Rs. 4 a month, the wage in the rural areas must be Rs. 2 or Rs. 3 a month at the most. That gives you an average income of Rs. 30 per annum in the villages. Therefore, when the average wage is so small it is not right that the tax, which falls upon the poorest of the poor, should be increased in any manner.

Sir, I do not wish to go into this matter at great length, but if Government thinks that the average people of this country have become richer, it is better for them to make an inquiry into the rural conditions of this country. I know men from old times, men like Sir William Wedderburn and Dadabhai Naoraji, have been urging the necessity of an investigation into the condition of the rural classes. It is the Government that has been opposing this suggestion. If Government is so sure that the condition of the people has improved, let Government at least begin an inquiry into the economic condition of the rural people. I am quite sure if they do that, their real condition will be exposed to the gaze of the whole world. Not only has Government not made a special investigation, but Government has got a Statistical Department maintained to collect statistics of the condition of the people.

**Mr. President:** Order, order. A tax on matches is not the right peg on which to hang the question of an inquiry into the economic condition of the people. The Honourable Member is perfectly entitled to refer to this in general terms but he is going too far.

**Mr. N. M. Joshi:** I do not wish to press this argument any further, but I feel that this tax is already heavy and should not be increased.

The motion was negatived.

**Haji Wajih-ud-din :** I move, Sir :

'That in Schedule I, Part III, Item 47 (Vinegar) be omitted and added to Item 68, Part V, to be taxed at 15 per cent.'

I find no difference between the two items separately entered in No. 47 and No. 68, as both have been classed under the heading 'Provisions and Oilmans Stores'. I see no reason why one should be taken at 2½ per cent. while the other provisions are to be taken at 15 per cent. *ad valorem.* May I ask, Sir, whether vinegar is more necessary than salt, or whether it is consumed by the poor ? On the other hand, there live in India millions of people who have in their whole lives never tasted the imported vinegar. It is generally used as a medicine or is served at the tables of the rich in different shapes. So there is ample reason to tax the vinegar at 15 per cent. as its consumers can easily bear it.

**The Honourable Mr. C. A. Innes :** Sir, the explanation of the fact that we have retained the duty on vinegar at 2½ per cent. is that we are bound to keep it at 2½ per cent. in consequence of a commercial treaty made with France in the year 1903. By that treaty we get favoured-nation treatment in respect of certain of our products and in return we have this arrangement with France regarding the import duty on vinegar and green copperas. The House will, therefore, see that it is not within our power to enhance this duty without denouncing this treaty.

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions : Non-Muhammadan) : In respect of what commodities do we receive favoured-nation treatment from France ?

**The Honourable Mr. C. A. Innes :** Coffee, Cocoa, spice, and tea, I understand. In any case, we cannot raise this duty without denouncing the treaty, and I would also point out there is no money in it.

**Haji Wajih-ud-din :** After hearing my Honourable friend I wish to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Haji Wajih-ud-din :** I move, Sir :

'That Item No. 51 (Aeroplanes) be omitted from the Schedule I, Part III and that the same be included in Item No. 123, Part VI, to be taxed at 30 per cent.'

It is really astonishing to see aeroplanes ranked among the necessities of life. Comparing it with the motor car, it should be considered as a far greater luxury. It cannot serve the purpose of public conveyance and only persons of great wealth can afford to use it for private purposes. Moreover, there seems no justification for exempting Aeroplanes from being taxed, with Motor cars, at 30 per cent. So, I hope the House will agree with me to consider it a suitable item for raising taxation.

**The Honourable Mr. C. A. Innes :** Sir, we reduced the duty on aeroplanes about two years ago in order to encourage Civil Aviation in India. I am afraid we have not encouraged Civil Aviation but I do not think there is any reason why we should enhance the duty at any rate at present, because there are no aeroplanes coming in even at 2½ per cent., and therefore we are not likely to get any revenue if we enhance the duty. The matter is entirely unimportant, and I suggest that the tariff be left where it is.

The motion was negatived.

**Mr. B. S. Kamat :** Sir I move :

'In Schedule I, Part IV, omit Item 53 Machinery, and make consequential changes in the numbers of the remaining Items.'

This amendment proposes to exempt Machinery, from the duty of 10 per cent. *ad valorem* as proposed this year.

Sir, when I read the taxation proposals this year by the Honourable the Finance Member, I confess, I rubbed my eyes in wonder whether really the Finance Member was in right earnest in his proposal to raise the tax upon machinery to 10 per cent. Indeed, I remembered his statement last year on this proposal of raising the duty on machinery to 10 per cent and I thought the only explanation of his proposal, this year, contrary to his statement last year, was that he must have found himself in an extremely hopeless predicament with regard to the financial muddle so far as the taxation proposals are concerned. Sir, the proposal to tax machinery is so unsound and uneconomic that I think I need hardly labour the point. I am sure both the Honourable the Finance Member and his colleagues are very sincere indeed in their desire to develop the industries of this country, and yet a proposal of this kind

could only be accounted for as an attempt to meet the deplorable debacle which we have this year. The Honourable the Finance Member during the earlier part of the debate in referring to the silver duty talked about his instinct in taxation. He said it was rather against his instinct, so far as a silver duty was concerned, to tax silver. I think if that instinct is to be maintained, machinery is really the article in which his conscience and his instinct of taxation ought to come in. Sir, let me assure him that so far as taxation instinct goes, our instinct is as much against a duty on machinery as against the duty on Silver or Salt and the natural desire of people is to do away with this enhanced duty on machinery. We have been told in the Budget speech of the Honourable the Finance Member that the total additional revenue from the taxation of machinery iron metal, railway material, etc., would be about 4 crores ; but I do not think we have been given the exact figure of what would be the additional revenue from the tax on machinery alone. If that figure were to be furnished to the House we should be in a better position to know how much additional revenue would be derived from the taxation of machinery alone.

**The Honourable Sir Malcolm Hailey:** 185 lakhs.

**Mr. B. S. Kamat:** Thank you. If the total additional revenue is going to be 185 lakhs, I do not think that this additional revenue would justify the sacrifice of that sound principle, namely, not to tax imports of machinery into our country an article which is essential to develop the industries of the country.

Sir, there are at present various proposals in the minds of various people in the country to start a number of industries requiring machinery and to establish factories, both big and small. If this proposal of taxing machinery is carried into effect, it will throttle practically all the projected factories which people have in their minds. I am sure that in many cases the additional cost of machinery will be so prohibitive that all estimates for establishing factories would have to be thrown out and given up entirely. I do not think at this late hour I need labour the point any more. I move that proposed taxation on machinery should be thrown out by this House, by the Democratic Party, the National Party and also by the Independent Party, that is, by members of Central Party of the House.

**Rao Bahadur T. Rangachariar:** My Honourable friend's proposal tries to cut the resources of Government very much and therefore we of the Democratic Party are not willing to go to that length which the Honourable Member is prepared to go. I do not know what my Honourable friend, Mr. Spence, means by his hearty laughter but I will proceed with the subject. I move as an amendment:

'Omit Item 58 and re-insert it in Part III as Item 50 and re-number the remaining Items.'

The effect of this amendment is to restore the position that existed last year and it will not be right in a year of stringency like this to remove this duty altogether. I quite appreciate all the arguments put forward by Mr. Kamat and if the time comes, and I think it will come soon, when the military expenditure is cut down, the duty on machinery will also be removed. But that happy day is still far far away and therefore I move my amendment.

**Mr. C. W. Rhodes:** Whilst I must congratulate the Honourable the Finance Member for having done his best to avoid creating conditions which would embarrass the Fiscal Commission, I cannot think that in this particular instance he has been successful. A general rise in the rate of duty from 11 to 15 per cent. is not followed by raising the duty on machinery from 2½ to 10 per cent. I certainly see no reason for abolishing the 2½ per cent. duty, and therefore I have great pleasure in supporting Mr. Rangachariar's amendment. I consider this, and I do not think I am saying anything which will affect my position on the Fiscal Commission, distinctly a tax on industry at a very unfortunate time. We know well there are large orders for machinery placed at home. I personally am not interested in them. Companies have been floated. Capital has been asked for on the cost of the machinery and if the duty is to be increased by 7½ per cent. these new companies will start under very great disadvantages just at a time when we are all anxious to develop the industries of the country and to start industries at the lowest possible overhead cost. I therefore join with Mr. Rangachariar and hope he will prevail upon Government to let this tax remain as it was before.

**Mr. President:** The original amendment was to omit Item 58 (Machinery); since which a further amendment has been moved to add the words 're-insert it in part III'.

**The Honourable Sir Malcolm Hailey:** Sir, speaking recently, Mr. Joshi said that had he entered into the real reason why we were willing this morning to give up a certain item of taxation I should perhaps have interrupted him with an angry interjection. Long before I could have interrupted him, I am sure that you (Mr. President) would have stopped him from entering on a discussion that was not pertinent to motion on which he was speaking, but that I should have interrupted him with an angry interjection was, as the House knows, quite contrary to my habits. Occasionally, Sir, I may roar, but it is like the sucking dove. Now Mr. Kamat tells me that our proposal is uneconomic and made him rub his eyes. But the simple reason why we put this proposal forward was that in view of the fact that the price of machinery had greatly fallen we hoped that it might be able to bear the additional burden of 7½ per cent. that we proposed to put upon it. We recognised at the same time, and I think we admitted it, that this constituted a burden on the capital charges and industry and we regretted it. We should not have put it forward save under the stress of our necessities. Since then it has been pointed out to us with great force that this would bear very hardly on those numerous new enterprises which had ordered new machinery actually at the old prices. What has been borne upon us still more forcibly is this, that even if we persist now in asking the House to pass this demand for machinery we should be engaging in a waste of effort. I think it is perfectly certain from what we heard during the Budget debate both here and in the other place and from the universal opposition that has reached us from commercial bodies throughout the country, that it would be of little use for us to persist in making this demand. Under the circumstances, Sir, the only thing that we can do is, I am afraid, to cease from making it. I hope at the same time that the House will support the Honourable Mr. Rangachariar's amendment. Machinery has for many years been accustomed to pay a tax of 2½ per cent. and there is, as he very justly said, n the circumstances no reason why it should not continue to pay that duty.

**Dr. Nand Lal:** I recognise that the Government have been doing their best to promote industries in this country and, therefore, I felt surprised when I found this Item 58 incorporated in this Schedule. First of all, I thought that this was a mistake made, through an oversight, by the Honourable the Finance Member, but subsequently, I thought that perhaps he may have changed his mind and he would have put this item purposely on account of some peculiar circumstances. Considering that this Item has been put down purposely and not due to a mistake, I stand to oppose some part of it. I have an identical motion on the agenda, I mean identical to the motion which has been moved by Mr. Kamat; but I stand fettered. I cannot do justice to my amendment, because I must obey the opinion of the majority of the Democratic Party and, therefore, I stand to support only the amendment which has been so ably moved by my learned friend, Mr. Rangachariar. I have already submitted that I recognise that the Government have been doing their best for the promotion of industry in this country. In addition to that I may submit that the proposed taxation will be suicidal to that promotion and it will frustrate the hope of the Government and, therefore, it seems to be advisable that the whole House should unanimously support the amendment which has been put forward by Mr. Rangachariar and I do the same.

**Sir Montagu Webb:** May I ask what difference this will make to the Budget?

**The Honourable Sir Malcolm Hailey:** The difference is 185 lakhs. When I gave that figure to the Honourable Mr. Kamat, I was assuming that we should get the 2½ per cent. in any case.

**Mr. N. M. Samarth:** May I inquire how much of this machinery is imported for Railways, and whether in that case so much is a mere matter of book entry or not? I mean the machinery (not Railway Plant and Rolling I Stock) imported by Railways for their workshops. By this import duty much revenue is not to be expected. Of course, this is the revenue anticipated, but it is practically and largely for machinery imported for Railways. Then it means that you put the revenue into one pocket and pay it out of the other pocket, *i.e.*, it is merely a book entry.

**Mr. President:** Amendment moved:

'In Schedule I, Part IV, omit Item 58, Machinery, and re-insert it in Part III, as Item 50 and re-number the remaining Items'.

The question is that that amendment be made.

The motion was adopted.

**Rai Sahib Lakshmi Narayan Lal** (Bihar and Orissa : Nominated Non-Official) : Sir, the amendment that stands in my name runs as follows :

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, the following Items be deleted :

'Nos. 59, 60 and 61 (Metals—Iron and Steel'.

The increase in the tariff duty on these heads will very prejudicially affect the agricultural and industrial development of India ; what I have said regarding the increase in salt duty yesterday mostly applies to this duty also ; the former affects the poor people and the latter the poor industry of the country, upon which every hope for the building of the nation and the success of the reforms is based.

Sir, this increase of duty seems to be due to nothing short of a short-sighted policy, for ultimately it will prejudicially affect the Government revenue also ; one of the greatest sources of the revenue of the Central Government is income-tax which will go on automatically increasing with the development of the resources of the country by the agricultural and industrial improvements ; every attempt should be made to facilitate this development, and nothing whatever, which is likely to stand in its way should ever be attempted to be done ; a very small obstacle can hinder the growth of a small plant. A good many lives can be sustained with the fruits or even with the leaves of a grown-up tree if it is not damaged. In order to get some revenue, no attempt should be made to hamper the growth of a permanent source of revenue. The present financial crisis can never be sufficiently removed unless and until the sources of the permanent revenue—the industry and agriculture of the country—are sufficiently fostered. The most deplorable state of things is that very little care is being taken for the due development of these sources of permanent revenue. Instead of nourishing them by sufficient investment for their growth, recourse is being had to such an increase in the tariff which is sure to stand in the way of its due development ; the Government can never financially prosper unless and until they annually invest a sufficient amount for the agricultural and industrial growth of the country and do nothing whatever which is calculated to affect it prejudicially.

Sir, it seems to me entirely inconsistent that, while on the one hand the Agricultural, Industrial and Co-operative Departments are preaching for the introduction of machinery and improved implements and devising various means for facilitating their introduction, on the other hand steps are being taken for the increase of tariff in the machinery (implements even of iron and steel, of which these implements can be manufactured in the country) which is sure to render their introduction less successful.

Any increase of that under these heads is likely to nip in the bud the growing plant of Indian Industry which, if properly fostered, is sure to grow in the near future into the much coveted *Kalpataru* which will surely supply everything according to the wishes not only of the growers but also of its gre test protector, the Government. It is this *Kalpataru* alone which can successfully overcome the present financial difficulty of the Government as well as prove a perfect panacea for the poverty of the people and which may once more turn India into that Paradise which it really was before, as has been described by the great poet in his beautiful lines :

'Agar Firdosh Bar Roe Zamin Ast
Hamin Asto Hamin Asto Hamin Ast.'

'If there is any Paradise on the face of this earth, it is this, it is this, it is this (India).'

**The Honourable Mr. C. A. Innes:** Sir, these three items are 'iron, iron or steel, and steel.' Now the reasons why we thought that we were justified in raising the duty upon these materials are that there has been recently a very great drop in the price of these materials, very largely owing to the depreciated exchanges of Germany and Belgium. We know precisely what the drop has been, owing to the fact that most of these materials are assessed to customs duty upon a tariff valuation,—a tariff valuation which is settled once a year in consultation with the Chambers of Commerce. Now, Sir, I have here the tariff valuations of last year and the tariff valuations now in force, and in almost every case the prices have dropped ; our tariff valuations have dropped, sometimes by 50 per cent. and sometimes by more Angle iron, for instance, dropped from Rs. 450 a ton to Rs. 300 a ton ; other kinds, from Rs. 350 to Rs. 300. Yorkshire bar from Rs. 450 to Rs. 300 ; Swedish from Rs. 400 to Rs. 250. Hoops from Rs. 475 to Rs. 370. Nails from Rs. 28 to Rs. 14. In every case, as the House will see, there has been a very great drop in the tariff valuations of these articles. For this year, therefore, they can stand an enhanced duty without any difficulty at all ; and I have no doubt that this is one of the cases which will be dealt

with carefully by the Fiscal Commission. But I think that the House will see that this year at any rate they need have no apprehension in raising the duty upon these materials to the extent which we have proposed. I oppose the amendment.

**Rai Bahadur Pandit Jawahar Lal Bhargava** (Ambala Division: Non-Muhammadan): Sir, I beg to move as an amendment:

'That Items 59, 60 and 61 be transferred from Part IV of the Schedule to Part III,'

that is to say, they should not be made liable to duty at 10 per cent. *ad valorem* but should remain liable to duty at the rate of 2½ per cent.

The reasons which apply to increased rates in the case of machinery would apply to these items also. An increase of duty on these items will injuriously affect the development of industries, upon the growth of which the future prosperity of India depends. This additional charge will handicap trade and will be a great obstacle in the starting of new ventures or the extension of old ones. The industrialisation of India is as much needed as the Indianisation of the services, and any step which retards the progress of industry will be the cause of great resentment. It is with this idea that I move the amendment.

**Mr. President:** Amendment moved:

'That Items 59, 60 and 61 be omitted from Part IV and inserted in Part III.'

The question is that that amendment be made.

The motion was negatived.

**Mr. President:** The question is:

'That Items 59, 60 and 61 be omitted.'

The motion was negatived.

**Sir Vithaldas D. Thackersey:** Sir, I move:

'After Item 63 insert the following new Item in Part IV:

'64. Dyes and sizing ingredients imported by a cotton weaving mill and proved to the satisfaction of the Collector of Customs to be intended for use in a weaving mill.'

Sir, I ask your permission to add the word 'finishing' after the word 'sizing'. The first line of the new Item would then read:

'Dyes sizing and *finishing* ingredient.'

Up till now these two Items have gone together in the Schedule.

The object of my amendment is to maintain the *status quo* between the Lancashire and the Indian mills. Before the proposal to raise the import duty and the excise duty by 4 per cent was made, the sizing ingredients imported paid a duty of 11 per cent. Now, however, we have decided to maintain the old position, that is, the excise at 3½ per cent. and the import duty at 11 per cent., while at the same time it is proposed by Government to increase the duty on sizing materials, which are used for weaving cloth from 11 to 15 per cent., an increase of 4 per cent. I have shown in my Budget speech that as it is, although we only pay an excise duty of 3½ per cent., with the cost of the freight on sizing materials and the duty on stores, income-tax, supertax, etc., we really pay about 10 or 10½ per cent. If you add a duty of 4 per cent. on our sizing meterials, you put the Indian mills at a disadvantage. I do not think it is the intention of Government to put the mills at a disadvantage when the country is fighting for protection. I have said, Sir, that we do not want protection, but we do expect under the altered circumstances, that the *status quo* will be maintained, and that the duty on sizing materials will remain at 11 per cent. I hope therefore that Government will accept this amendment and will allow the *status quo* to remain.

**The Honourable Mr. C. A. Innes:** Sir, I hope that the House will not accept this amendment. Last year the principle underlying this amendment was fully discussed. We increased the duty on imported cotton goods from 7½ to 11 per cent. We did not make a corresponding increase in the cotton excise duty. Consequently, we took the opportunity of removing from our free list an entry which had always given us a great deal of trouble administratively, and of depriving the cotton mills of Bombay of the benefit of free entry of mill stores. The concession meant that we had to have a complicated system of certificates which put a very severe burden upon our customs staff. Consequently, last year, with the full approval of this House, we took the opportunity of removing this troublesome little concession. Now, Sir, we have left the position between the cotton mills in India and in Lancashire precisely as it was before. The cotton excise duty is 3½ per cent., the import

duty on piece-goods is 11 per cent. All what we have done is to raise the general *ad ralorem* rate on which these dyes and other things come in from 11 to 15 per cent. Therefore Sir Vithaldas comes to the House and says: 'This is unfair to the cotton mills. We must restore this troublesome procedure. You must let us, the cotton mills, have our dyes and our sizing and finishing materials in at a favoured rate.' I am quite sure that the House will not accept that argument. Surely, there is no particular reason now why we should show the cotton mills of Bombay any special concessions in our tariff. They are flourishing like green bay trees. I do want to go over the old story or to read out the dividends. Everybody knows that this cotton mill industry is flourishing, as rarely an industry has flourished in India. We are glad of it. But is that any reason why now the representatives of the cotton mill industry in this House should come to us and say: 'Oh, yes, we are flourishing, but you are making us pay 4 per cent. more on our mill stores. That is not fair. You must reduce that duty to 10 per cent. You must introduce a complicated procedure for dealing with dyes, etc. When those dyes come in, if one of the mill-owners comes and gives a certificate to the effect that those dyes are for him, then you must give a refund of 4 per cent. on those dyes.'

I put it to the House, you cut down my Customs Budget by about 5 crores of rupees, you are reducing my staff and now you are adding to the work of my Customs officers by imposing upon them a procedure which will give them the greatest trouble. I suggest there is no reason at all why we should give this concession. I think Sir Vithaldas Thackersey ought to withdraw his amendment and if he does not, I think the House ought sternly to set its face against it.

**Rao Bahadur T. Rangachariar:** Sir, I much regret I have to oppose my Honourable colleague, Sir Vithaldas Thackersey. I think the mill industry of Bombay is having it all their own way to-day (Laughter) and yesterday they had the excise duty taken off and they had the Customs import duty reduced Not content with that the rich man always wants more and more (Hear, hear), and my Honourable friend, Sir Vithaldas, is never contented; and may I make a present of him to my friend, Mr. Samarth. (*Mr. N. M. Samarth*: 'I shall be glad to have him.') Business men are always having an eye to business. Unfortunately, lawyers have no eye to business. Sir, this proposal, I am afraid, will give an undue advantage to the cotton mills and injure the hand-loom industry of Madras (Laughter), and therefore I oppose the amendment.

**Mr. Manmohandas Ramji:** Sir, Sir Vithaldas Thackersey has made out the case on behalf of the mills very ably and Mr. Innes with his usual eloquence tried to oppose it on the ground that it is going to give him a lot of trouble and that last year when we increased the duties, we had discussed this question and therefore it does not deserve any further consideration. Sir, I do not want any protection or any favour from the hands of either the Government or from this Assembly. What I say is this, that because this industry fortunately makes profits, you level these criticisms against it and try to say anything against it you like, but I say, Sir that this concession is due and properly due to this industry. This industry pays an excise duty of 3½ per cent. and before we get the article finished that is made into cloth, we have to buy stores and pay a duty in Customs to the extent of 15 per cent. It is proposed to increase it from 11 to 15 per cent. Are you going to accept the principle that a local industry should pay twice over and a foreign industry should pay once? This is the proposition that we have to argue to-day. We are taxed twice over. That is our argument, Sir. Of course it may not be very hard in the present state of the industry, but we object to it on principle, and on principle alone. Mr. Rangachariar was very charitable to say that it will come in the way of hand-loom industry and so on, and he also thought that it might injure the revenues of the Government. But, I think, the attitude that he took up this morning about the revenues of Government was quite a different one.

**The Honourable Sir Malcolm Hailey:** Sir, we have just heard two statements, first that the mill industry asks for no favour and secondly that Mr. Ramji objects to this motion on principle alone Now, Sir, I ask the House to realise what the Mover is asking for. What are the dyes paying to-day? 11 per cent. What does Sir Vithaldas Thackersey ask for? That it should be reduced to 10 per cent. (*Sir Vithaldas Thackersey*: 'No'). Look at your amendment, Sir. You are asking for a reduction on what you are paying at present. Is the House going to grant that?

**Mr. S. K. Barodawala** (Bombay City: Muhammadan Urban): Sir, it is an anomaly to me to see my friend, Sir Vithaldas Thackersey s amendment. What does he say in his amendment? He says: 'We do not object to the levy

of the tax, but give us rebate.' For what purpose do dyes come here? It is for dyeing. For what purpose do sizing materials come? It is for sizing. His amendment indirectly says: 'You better put the tax on poor dealers only who sell in retail, but not to the mill-owners and particularly my friend, Mr. Manmohandas Ramji, who whole-heartedly supported the amendment, comes from the same place as I do, but I must say that these mill-owners are getting very greedy. (Laughter.)

The motion was negatived.

**Mr. Darcy Lindsay:** Sir, I move

'In Item 84 (Apparel), omit the words and figures 'and articles made of silk (see No. 133).'

The object of this amendment is to exclude from clause 6 of the Bill articles of wearing apparel that may be wholly or partly made of silk and thereby allow import of such goods at a duty of 15 per cent. instead of 30 per cent. This chiefly concerns lady's apparel, and the total value cannot amount to very much. As one of the Honourable Mian Sir Muhammad Shafi's happy bachelors, I have no inside knowledge of the subject. (Laughter.) But my married friends on the Government Benches will, I think, bear me out when I say that the increase of duty last year from 7½ to 20 per cent has had a serious effect on the spending power in many instances of an already attenuated dress allowance, and now to increase the duty by a further 10 per cent. will only result in a heavy fall in imports as in these days of increased cost of living there is a limit to expenditure. Some married men may of course regard with satisfaction the absence of temptation to spend hard earned money on silk costumes. But what about the other side of the question? When, owing to these exorbitant and ever-increasing duties, ladies have to dress in *khaddar* or some equally unbecoming locally made material. (*A Voice* 'Why?'): As I said before, I am not an expert in lady's apparel, but I believe I am correct in stating that with many imported costumes, silk material represents only a very small percentage of the whole, and yet a duty is levied as if the entire dress was of silk, and this, I maintain, is wrong in principle. It is a never ending source of difficulty to the Customs officials to differentiate between what is silk and what is not, and they would certainly welcome one scale of duty for all apparel. I have referred to the probable loss to Government from enhanced duties. Here I speak with some knowledge, that it is a fact that the 20 per cent. duty has caused a serious loss to a great number of small establishments owing to the heavy fall in sales and the shutters will be closed next season if the duty is increased. These people have not a large capital and it takes much money to finance 30 per cent. duty on goods costing anything from between Rs. 200 to Rs. 600 wholesale.

I put it to the Finance Member that this is one of the instances where a heavy fall in imports may show actual loss of revenue, unless my amendment is carried, and I hope he will accept same. I also appeal to the gallantry of the Democratic and National Party, especially to Mr. Ginwala, to support the cause of the ladies, which, as my Honourable friend, Munshi Iswar Saran, would say, I put forward 'with all humility.' To include dresses in the luxury tax is surely a grave error. They are necessities, not luxuries. With these words I place my amendment in the hands of the House.

**Rao Bahadur T. Rangachariar:** In the interests of the protection of local industries, I would appeal to my Honourable friend, Mr. Darcy Lindsay, to drop this amendment. I can present him with beautiful cloths made of silk, if he has lady friends, made in Benares and made at Conjeeveram. I am glad to say that the English ladies living in Madras are taking to *Swadeshi* habits. I have seen them dressed in Conjeeveram cloths and they look much more beautiful. (Laughter.)

Sir, we have got variegated colours in our cloths. Those of you who have travelled in Madras and seen our ladies dress will appreciate the value of the comments I am making. It is a real change and a change for the better, and I am glad that Government are opposed to this duty on articles made of silk, for we are enlisting workers in the cause of *Swadeshi* in the shape of English ladies who I know will gladly go in for country silk.

**The Honourable Mr. C. A. Innes:** I need hardly say that my personal sympathies are entirely with Mr. Darcy Lindsay; but as a member of the Government, and as an official, I am afraid I must not only oppose the amendment but ask the House to oppose it also. I admit that ladies should have dresses, but see no reason why they should have silk dresses. If they want silk dresses, they are wanting luxuries and must pay extra. I think the House will unanimously reject this amendment.

The motion was negatived.

**Haji Wajih-ud-din:** Sir, I move :

'In Item 33 after the word 'Carts' insert the words 'Bicycles and Tricycles' and omit from the last line the words 'Bicycles or Tricycles.'

The import of the costly and high-grade machines suitable for joy-riding is not more than a few per cent., and the rest is not used as luxuries, but like necessaries. They are generally used by peons of Government offices, Telegraph and Post offices, commercial offices, and military soldiers. Poor people who live in the suburban villages of a large town, where they have daily business, and who cannot afford to maintain any other means of conveyance, keep cycles, the cheapest of all conveyances, to avoid unnecessary hardship, and to save time and money. As cycles are more necessary than bath chairs and perambulators, which are nothing but luxuries, and as cycles are as useful as tram-cars, motor lorries and the like, so I am quite justified in suggesting on the same principle that cycles should be taxed at 15 per cent. as motor lorries, tram-cars and others are proposed by the Government.

The motion was negatived.

**The Honourable Mr. C. A. Innes:** Sir, I beg to move :

'That in Schedule I to the Bill in the Schedule to be substituted for the Second Schedule to the Indian Tariff Act, 1894, in Item 86, the words 'not otherwise specified' be omitted and be re-inserted after the word 'conveyances'.'

This, Sir, is a purely drafting amendment which does not need any explanation.

The motion was adopted.

**Mr. K. B. L. Agnihotri:** I beg to move :

'In Schedule I, Part V, omit Item 95.'

Sir, there is no reason why, when Item 58 in Part IV of the same Schedule is subject to a duty of 10 per cent only, Item 95 should be subjected to a duty of 15 per cent. In the case of machinery worked by animal labour, it would be very hard for poor people to pay a duty of 15 per cent In the case of power-driven machines, the duty affects the big companies only who could afford to pay, but in case of machines worked by manual labour it will be the poor men alone that will be affected and he cannot afford to purchase power-driven machines. I do not think it is necessary for me to waste the time of the House by giving in details at this late hour.

**Rao Bahadur T. Rangachariar:** May I ask for some information from the Honourable Mr. Innes, namely, whether the machinery contemplated in Item No. 95 is produced in the country, or if there are any industries in that direction.

**The Honourable Mr. C. A. Innes:** I am afraid that I am not in a position to give this information. These items in the Tariff have always been in the Tariff, and I don't really know what machinery is referred to. It is machinery or parts of machinery to be worked by manual or animal labour.

I think the House will be well advised to oppose the amendment, because if the amendment is passed in the present form, there would be no effect at all. The proposal is merely to omit this item. If the Item is omitted, then these articles would come in at 15 per cent. as 122. 'All other articles not otherwise specified.' This machinery has always come in the General *ad valorem* rate.

**Mr. J. Chaudhuri:** I suggest an amendment :

'That machinery worked by hand or animals should be placed in Part III'

and would inform the Honourable Mr. Innes that some of these machineries are very important, as, for instance, knitting machines, with which hosiery is made, and sewing machines, which give employment to many widows and other people who make their living by it. When enhancement of duty on machinery driven by power from 2½ per cent. to 15 per cent. has been disallowed by the House, it is much more important that no higher duty should be imposed on hand-driven machinery. I would say that such machinery should be duty-free, because there is a good deal of scope for introducing such machinery in this country, for instance, lace-making machinery, ribbon-making machinery, and many others that I may name. By introducing small machineries of this kind the industrial resources of the country may be developed, cottage industry helped and promoted and also employment may be given to the poorer classes as also the middle class people and to the women in this country. So I beg to move as an amendment to Mr. Agnihotri's motion that such machineries be also removed from Schedule I, Part V, and that the same be put down in Schedule I, Part III, the result of which will

be that they would be liable to a duty of 2½ per cent. and not 15 per cent. as proposed.

**Mr. K. B. L. Agnihotri:** I accept the amendment suggested by Mr. Chaudhuri.

**Mr. President:** The question is:

'In Schedule I, Part V, omit Item 95 and insert it in Part III'.

The Assembly then divided as follows:

AYES—23.

| | |
|---|---|
| Agarwala, Lala G. L. | Joshi, Mr. N. M. |
| Agnihotri, Mr. K. B. L. | Lakshmi Narayan Lal, Mr. |
| Asjad-ul-lah, Maulvi Miyan. | Latthe, Mr. A. B. |
| Ayyangar, Mr. M. G. M. | Man Singh, Bhai. |
| Ayyar, Mr. T. V. Seshagiri. | Nand Lal, Dr. |
| Bagde, Mr. K. G. | Neogy, Mr. K. C. |
| Bhargava, Pandit J. L. | Reddi, Mr. M. K. |
| Bishambhar Nath, Mr. | Shahani, Mr. S. C. |
| Chaudhuri, Mr. J. | Singh, Babu B. P. |
| Das, Babu B. S. | Sohan Lal, Bakshi. |
| Ginwala, Mr. P. P. | Subrahmanayam, Mr. C. S. |
| Hussanally, Mr. W. M. | |

NOES—44.

| | |
|---|---|
| Abdul Rahim Khan, Mr. | Manmohandas Ramji, Mr. |
| Aiyar, Mr. A. V. V. | Misra, Mr. B. N. |
| Aiyer, Sir P. S. Sivaswamy. | Mitter, Mr. K. N. |
| Akram Hussain, Prince A. M. M. | Mukherjee, Mr. J. N. |
| Barodawala, Mr. S. K. | Percival, Mr. P. E. |
| Bray, Mr. Denys. | Ramayya Pantulu, Mr. J. |
| Bryant, Mr. J. F. | Rangachariar, Mr. T. |
| Chatterjee, Mr. A. C. | Rao, Mr. C. Krishnaswami. |
| Clarke, Mr. G. R. | Renouf, Mr. W. C. |
| Crookshank, Sir Sydney. | Rhodes, Mr. C. W. |
| Dentith, Mr. A. W. | Samarth, Mr. N. M. |
| Faridoonji, Mr. R. | Sapru, the Honourable Dr. T. B. |
| Fell, Sir Godfrey. | Sharp, Mr. H. |
| Hailey, the Honourable Sir Malcolm. | Spence, Mr. R. A. |
| Hullah, Mr. J. | Thackersey, Sir Vithaldas D. |
| Innes, the Honourable Mr. C. A. | Tulshan, Mr. Sheopershad. |
| Iswar Saran, Munshi. | Vincent, the Honourable Sir William. |
| Jamnadas Dwarkadas, Mr. | Vishindas, Mr. H. |
| Jejeebhoy, Sir Jamsetjee. | Waghorn, Colonel W. D. |
| Kabraji, Mr. J. K. N. | Webb, Sir M. dePomeroy. |
| Keith, Mr. W. J. | Way, Mr. T. A. H. |
| Lindsay, Mr. Darcy. | Zahiruddin Ahmed, Mr. |

The motion was negatived.

**Rai Sahib Lakshmi Narayan Lal:** I beg to move:

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, the following Items be deleted:

'(*i*) No. 96, Metals—Iron and Steel.

(*ii*) No. 97, Metals other than Iron and Steel.'

Sir, I do not want to detain this House long at this late hour of the day. For reasons that I have already stated in my amendment regarding Items Nos. 60 and 61, I move this amendment.

The motion was negatived.

**Lala Girdharilal Agarwala:** Sir, I beg to move:

'In Schedule I, Part V, delete Item 124 (umbrellas) and insert it in Part III with a rate of duty at 2½ per cent. and re-number the entries accordingly.'

Sir, umbrellas are a necessity in India and not a luxury, and, therefore, I beg to move this amendment.

**The Honourable Mr. C. A. Innes:** Sir, this question of umbrellas was discussed last year. It was decided that umbrellas were not a luxury and they were taken out of the luxury Schedule and put back in the general *ad valorem* Schedule. They are still in the general *ad valorem* and Mr. Agarwala proposes to take them out of that Schedule and put them down at the specially favoured rate of 2½ per cent. I ask the House, are we in a position to give a financial concession of this kind?

I hope the House will reject the amendment.

**Sir Jamsetjee Jejeebhoy** (Bombay City: Non-Muhammadan Urban): What would be the loss of revenue?

The motion was negatived.

**Mr. Darcy Lindsay:** Sir, I move:

'Omit Items 126, 127 and 138 and include the articles referred to therein in a new Part of the Schedule as liable to a duty of 20 per cent.'

which, in practice, would be to leave the import duty at what it was fixed at last year. These Items cover motor cars, bicycles, tricycles, accessories, pneumatic tyres, clocks and watches.

There is no doubt, Sir, that an increase of 10 per cent. to the already heavy duty of 20 per cent. is likely to result in an actual loss of revenue both from import duties and the diminished consumption of tyres, motor accessories, oil and petrol, on which latter, as the House is aware, there is a special duty of six annas per gallon. The increased duty will mean a fall in imports, fewer motors purchased, and, consequently, less consumption of the above. The Honourable the Finance Member stated, when he placed the Budget before us, that the revenue in connection with this luxury tax during the current year had been very disappointing. He said matters were somewhat improving and he hoped to gain a revenue of 75 lakhs. Now, Sir, on an examination of the figures of the principal items of this tax, I do not find that they are very promising. Silk piece-goods and mixed silks are included. I find the January imports for silk piece-goods amounted to 14 lakhs as against 38 lakhs the year before.

**Mr. President:** Where does the Honourable Member get silk piece-goods in his amendment? I thought the Honourable Member had already disposed of silk piece-goods.

**Mr. Darcy Lindsay:** Very well, Sir. I will give the figures as regards the import of motor cars. Motor cars in the month of January were imported to the value of Rs. 18,58,000 as against Rs. 86,00,000 in the previous year and Rs. 33,00,000 in 1920. The total for the ten months was Rs. 1,45,00,000 as against Rs. 6,93,00,000 of the previous year. That, Sir, I maintain does not show very great promise of an increase in the imports. In further support of this view, I quote the opinion of the members of the Motor Trades Association (Western India Branch) in a circular letter which, I think, has been received by many of the Members of the House. They state:

'It is believed that the heavily increased duty will result in a considerably reduced import of motor cars and that the tendency will be for cheaper cars to be imported. The consequence will be a decrease, not an increase, in revenue. Smaller imports of automobiles necessarily imply smaller consumption of petrol, tyres and other dutiable articles, again to the detriment of Government and India's revenue.'

It is estimated the import duty on tyres, etc., and the tax on petrol gives the Government an average of not less than Rs. 5 per hundred miles covered by a motor car. It follows, therefore, that to handicap the import of cars will mean not only a loss of revenue from import duty but also Rs. 5 per hundred running miles, as fewer cars will be in use. The opinion of the motor trade is that, with a duty of 20 per cent. the maximum has been reached and they suggest that, for revenue purposes, a more equitable means of taxation may be devised.

In the evidence before the Fiscal Committee the representatives of the Motor Trades Association (East Indian section) stated:

'The Association fully appreciates the present financial position of the Government and therefore begs to suggest the following as a source of revenue in the event of a reduction of the import duty on cars from 20 per cent. to 10 per cent.'

They did not anticipate then an increase. They suggest an additional surtax of one anna to the cost of petrol, and they state that that would give the Government as much revenue as they were obtaining from the increased duty.

It was further pointed out that the high duty restricts the sale of the English car to the advantage of the lower-priced American.

I take it that the Government of India have no real desire to handicap British labour and enterprise in the motor trade; but this is what they are doing, and with a heavy hand. This is not the friendly act of a partner in our great Empire. If it were to foster a local industry, there might be some excuse, but we have no motor or tyre factories in India at present. As I said before, the high duty is really a protective tax in favour of American manufactures and a death blow to British industry, so far as the motor trade for India is concerned.

Having dealt with the possible effect on the revenue of the increased duty, I turn to the question of the usage of motor cars and bicycles. I do not know who the genius was who classified these necessaries as luxuries, but he had possibly studied the protective tariffs of other countries and, finding the rate of duty on these articles to be high, in they went to swell the items included in the luxury tax. I dealt with this question of luxury last week and will not weary the House with repetition, except to say that, with a

large majority of people, motor cars and bicycles are necessary means of transport and should not be placed out of the reach of the general public. I admit that a few wealthy men can indulge in the comfort of expensive cars as a means of pleasure, but, to the ordinary man, the use of a car is a business proposition to save valuable time, and the bicycle is the poor man's friend to take him to his work. I put it to the House that this heavy tax of 30 per cent. means an extra Rs. 45 added to the cost of a bicycle, and what I am asking for is that Rs. 15 of this may be reduced. An extra charge of Rs. 15 may appear paltry to the Honourable the Finance Member dealing as he does in crores; but to the poor clerk and artisan it is a very serious consideration. I have included clocks and watches in my amendment, as here again I regard them as a necessity and far removed from a luxury. When India makes her own clocks and watches, it will be time enough to think of a protective tariff.

In conclusion, I would ask the Honourable the Finance Member to take to heart what Robert Lowe, afterwards Lord Sherbrooke (an unlucky Chanceller), once said :

'It is the business of a Chancellor of the Exchequer to distribute a certain amount of human misery, and the man who distributes it most equally is the best Chancellor.'

Sir, in my remarks in the course of the general discussion on the Budget, I made a suggestion to the effect that our basis of taxation in India needs examination and that an expert in these matters might be put to work to make suggestions for widening that basis. The Honourable the Finance Member and his staff have no time for this work. They are more than fully occupied with the details of administration. Thus when difficult times come as at present new sources of taxation are not forthcoming, for the officers in charge have not the time to think out the problems involved, and nothing better can be suggested than the piling on the rates of import duties, income-tax, and so on, till the danger point is reached, and even, I suggest, past it. That is the point at which increased taxation produces no increase of revenue. I do urge on the Government that the pressing need of a continuous and expert inquiry into our taxation should receive their earliest possible attention. With these words, I commend my amendment to this House.

**Mr. President:** The question is :

'That Items 126, 127 and 138 be omitted and re-inserted in a new part of the Schedule as liable to a duty of 20 per cent.'

I think it will be easier if Items 126 and 138 stand together than to take 126 alone. I will therefore put the question in this form :

'That Items 126 and 138 be omitted and re-inserted hereafter in a new part of the Schedule as liable to a duty of 20 per cent.'

**Rao Bahadur T. Rangachariar:** I should like to have the loan of the barometer my Honourable friend, Sir Montagu Webb, had in his hand now to see whether my reading and his reading correspond.

**Mr. R. A. Spence:** It is 11·83 crores.

**Rao Bahadur T. Rangachariar:** That is even larger than I thought, and may I make a present of it to Mr. Lindsay as my Honourable friend, Sir Montagu Webb, made a present of it to me.

**Mr. R. A. Spence:** With reference to this barometer, may I point out to Mr. Rangachariar that one of the main reasons Mr. Lindsay moved this amendment was that he thought it would help Government. His argument is that you will get less revenue by this high tax. Therefore, if the Democratic Party are now wishing to stop this terrible drain of 11·83 crores, I hope they will vote for Mr. Lindsay's amendment.

**The Honourable Mr. C. A. Innes:** I am afraid, Sir, that I must oppose this amendment. I am quite prepared to admit that we increased the duty on motor cars last year from 7½ per cent. to 20 per cent. and, as the House knows, we proposed a further increase this year to 30 per cent. Our financial necessities have compelled us to propose a higher scale of taxation on what are generally known as luxuries, and I think nobody in this House will deny that motor cars may reasonably be called a luxury. Now, Sir, in spite of the fact that we raised our duty from 7½ per cent. last year to 20 per cent., I do not admit that the effect on the trade was as bad as has been made out. It is perfectly true that our imports show a very great drop, but it is a notorious fact that at the beginning of 1921, owing to the high exchange of the previous year, there were enormous stocks of motor cars at every port in India, and our imports in the calendar year 1921 were at just the same level as in the calendar year 1919. Now, Sir, I have no

doubt that the effect of these heavy stocks has now been worked off and that the trade in motor cars will now begin to revive; I personally do not believe that the raising of the duty from 20 to 30 per cent. will make as much difference as people think. If a man can afford a motor car and desires to buy a motor car he will buy that motor car even if it costs him Rs. 200 or Rs. 300 more. I think the House on the whole would be wise to reject this amendment.

**Mr. K. B. L. Agnihotri:** Sir, I rise to support Mr. Lindsay. The Honourable Mr. Innes has said that motor cars are luxuries. I admit to a certain extent they are. But for people who come from backward and undeveloped places, like the Central Provinces, where there are no proper roads, where the railways have not yet been extended sufficiently, where the forest people even now have to remove their produce and other forest materials in their antiquated contrivances of locomotion and carry their produce to railway stations and other markets,—such motor lorries and such motor cars are not luxuries but necessities of life. I therefore support Mr. Lindsay and add that heavy motor lorries at least should be liable to a duty of 20 per cent. only and not 30 per cent.,—specially when the Government cannot give us railways for want of funds, for some time more to come.

**The Honourable Mr. C. A. Innes:** May I rise to point out to the last speaker that motor lorries are already treated as coming under articles which are liable to a duty of 15 per cent. *ad valorem—vide* Item 86?

**Mr. President:** The question is :

'That Items 126 and 138 (Motor Cars) be omitted from Schedule I, Part VI, and re-inserted in a new Part of the Schedule as liable to a duty of 20 per cent.'

The motion was negatived.

**Mr. President:** The question is :

'That Item 127 be omitted and re-inserted in a new Part of the Schedule as liable to a duty of 20 per cent.'

The motion was negatived.

**Mr. President:** It seems a little late to embark upon the Schedule of the Postal Rates. I think we might perhaps dispose of clause 6—the entries in the tariff Schedule relating to kerosene.

The question is :

'That clause 6, as amended, stand part of the Bill.'

Honourable Members will remember that clause 6 was amended by the insertion of the words, on the motion of the Honourable Mr. Innes, 'in liquid form' after the word 'used' in sub-section (*b*) of the explanation.

**Rao Bahadur T. Rangachariar:** Sir, after listening to the facts and figures given by the Honourable Mr. Innes and also having regard to the fall in the price of kerosene oil, it has become a matter of indifference to this Party. The Members of this Party are at liberty to vote as they like in this matter, but having regard to the advantage we hope to gain in the Postal Departments in some form or other. Speaking for myself, I will not oppose this Item.

**Mr. N. M. Samarth:** Speaking on behalf of my Party, I may say that I asked for certain information yesterday and I got it from the Honourable Mr. Innes. It has satisfied me that this duty proposed by Government may stand. I therefore support it.

**Mr. Harchandrai Vishindas:** Sir, speaking on behalf of the Independent Party, who belong neither to the Democratic Party nor to the Autocratic Party or any other 'Party', I wish to say that the members of that Party do not wish to oppose this taxation.

**Mr. S. C. Shahani:** I beg to point out that the reasons that have been advanced by my Honourable friend, Mr. Innes, are not at all convincing. He says that the price has gone down, and on that account the extra duty of one anna per gallon should be sanctioned by the House. Is he prepared to give an assurance to the Members here that the prices would be permanently low? No such assurance could rightly be given. I think it is only reasonable then that the increased tax should not be levied. Kerosene is an article of general consumption. It is highly undesirable that the import duty on it should be increased, or that an excise duty should be imposed upon its manufacture in India.

**Mr. W. M. Hussanally:** I beg to support my friend, Mr. Shahani, and I also recommend that this tax should not be levied. As I said yesterday

kerosene and crude oil are not only used for lighting purposes but also for agricultural machinery, which is more important than lighting. It will press heavily on the poor agriculturists and I therefore hope that the House will reject the proposal to tax kerosene.

**Maulvi Mian Asjad-ul-Lah** (Bhagalpore Division: Muhammadan): (The Honourable Member spoke in the vernacular*.)

**The Honourable Mr. C. A. Innes:** Sir, I wish to correct a mistake made by Mr. Hussanally. I think Mr. Hussanally said that this excise duty would apply to fuel oil. That is not so. The only change that we are making in the Motor Spirit Act is to make that Act cover kerosene and if Mr. Hussanally would look at the explanation to clause 6 of the Bill, he will see that this kerosene must be intended to be used for the purpose of illumination. So this new taxation covers kerosene only. Now, Sir, my position in regard to this proposed taxation is this. In spite of the excise duty which we propose to put on Burma kerosene, and in spite of the corresponding one anna increase on import duty, I have informed the House that the price of Victoria oil which is the common poor man's oil in India has gone down by more than one anna a gallon already. I am quite prepared to admit that had it not been for these new duties the price would have gone down by two annas a gallon, but the fact is that it has gone down by one anna a gallon. These duties are going to give us 95 lakhs of rupees. Sir Montagu Webb has told us that our deficit is now over 11 crores of rupees and I ask this House whether they are going to refuse us this 95 lakhs. I am perfectly sure that the answer is in the negative.

**Mr. W. M. Hussanally:** Kerosene itself is used for agricultural purposes for driving agricultural machinery, leaving aside its other uses. I oppose the tax most strongly on that ground alone.

**Mr. K. B. L. Agnihotri:** I am not surprised to find that this tax has been proposed by the members of the Government of India who are living in palatial houses fitted with innumerable electric lights and have probably given up the use of kerosene oil. They seem to have no idea of the conditions of the poor men and their cottages That is why they did not take at all the feelings of the poor man into consideration and have brought forward a proposal for this undesirable tax. Sir, during the war, the prices of kerosene oil had gone up and many municipalities in the poor province of the Central Provinces had to curtail their expenditure on lighting and had actually to reduce the lights in the towns. They could not afford even to light their streets sufficiently. I believe that was also the case in other provinces. Mr. Innes comes forward and says that the price of kerosene oil has gone down by one anna and that the present tax would not affect the poor, but may I remind him that this tax will take away the benefit by at least half an anna per bottle of oil. Sir, in the villages I have come across people who have to take their meals in the dark. Many people cannot afford to purchase kerosene and to have lights in their houses. Therefore, I support the amendment and appeal to Government that, taking into consideration the state of the poor man in the country, they would not insist on this taxation.

**Mr. President:** The question is:

'That clause 6, as amended, do stand part of the Bill.'

The motion was adopted.

Clause 6 was added to the Bill.

**Mr. President:** The question is:

'That Schedule I, as amended, do stand part of the Bill.'

The motion was adopted.

Schedule I was added to the Bill.

---

* The original speech, together with a translation, will be published in a later issue of those Debates.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.**

*Wednesday, 22nd March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

## PRECEDENCE FOR FINANCE BILL.

**The Honourable Sir Malcolm Hailey** (Finance Member): With your permission I beg to move:

'That the discussion on the Finance Bill have precedence over other business to-day.'

The motion was adopted.

## THE BUDGET—THE INDIAN FINANCE BILL—*concld.*

**Rai Bahadur Pandit J. L. Bhargava** (Ambala Division: Non-Muhammadan): Sir, the amendment which stands in my name is No. 135, and runs as follows:

'That in Schedule II to the Bill for the entries under heads 'Letters' and 'Postcards' the following be substituted:

*'Letters.*

| | |
|---|---|
| For a weight not exceeding half a tola | Half an anna. |
| For a weight exceeding half a tola and not exceeding one tola | One anna. |
| For every tola or fraction thereof exceeding one tola | One anna. |

*Postcards.*

| | |
|---|---|
| Single | Quarter of an anna |
| Reply | Half an anna'.' |

Sir, in dealing with this amendment, I propose that it may be taken up by sections, as was done last year, so that the discussion and disposal of the whole question may be facilitated, and I would divide it into three heads. First, postcards; second, letters in weight not exceeding half tola; and third, the remaining portion of the amendment. I want to give precedence to postcards, as they affect the poorest classes also. Next in precedence come the letters which require half anna, and they also affect the poorer classes. Last of all come those which do not affect the poorer or middle classes, but affect the rich classes only.

Sir, the Schedule as it stands at present is this. For single postcards, quarter anna; reply postcards, half anna. Letters—for a weight not exceeding half tola, half anna; for a weight not exceeding one tola, nine pies; for a weight exceeding one tola, but not exceeding two and a half tolas, one anna; for every two and a half tolas or fraction thereof, exceeding two and a half tolas, one anna.

The rates which are now proposed are as follows:

| | |
|---|---|
| For postcards, single | Half anna. |
| Ditto reply | One anna. |
| Letters, for a weight not exceeding $2\frac{1}{2}$ tolas | One anna. |
| For every $2\frac{1}{2}$ tolas, or fraction thereof, exceeding $2\frac{1}{2}$ tolas | One anna. |

The result is that the new Bill proposes to raise to half an anna the quarter anna postcard, to abolish half anna and nine pies rates of postage, and makes the charges in future one anna for letters not exceeding $2\frac{1}{2}$ tolas, and one anna for every additional $2\frac{1}{2}$ tolas or fraction thereof.

The object of my amendment is to retain the quarter anna postcard and half anna envelope. Sir, the doubling of the postcard rates and the raising of the minimum charge for inland letters from half anna to one anna was proposed last year also but it was not accepted by the Assembly. This year also the price of postcards has been proposed to be raised, and other alterations which I have just mentioned have been proposed. The pice postcard and half anna envelope have on account of generations of familiarity been deeply rooted in the affections of the people, and this idea of strong sentimental attachment has been referred to by the Honourable the Finance Member himself in his speech made on the 1st March, 1922.

The raising of the price of the pice postcard will affect the poor classes also. It will affect other classes too, but the poor classes also will not remain unaffected by it The same will be the case with the half-anna envelope, and it is not proper to increase the burden of the poor in the least. No doubt the cheap postal rates are of enormous advantage to a country, as is admitted by the Honourable the Finance Member this year and was also admitted last year. But the reason which has been given by him for proposing this additional tax is the financial necessity and the other reason which is generally advanced is that the Postal Department is a commercial department and it should be made to pay its way. As regards the second question, opinions differ. There are persons who hold that it is the duty of every civilised Government to undertake the postal service as a work of public utility and should not look to the return which it brings. Cheap postal rates facilitate the progress and civilisation of a country. It has been pointed out by the Honourable the Finance Member that even after this increase has been made the postal service of India will remain the cheapest in the world. Admitting it to be true, I submit that it must not be forgotten that no country is so poor as India is. In no country the administration is so costly as it is in India and in no country civil and military expenses have risen to so high a figure as to necessitate the imposition of new taxes every year, not leaving even the bare necessities of life and the articles of every day use and create heavy deficits which are not met even after all the possible sources of taxation have been tapped. As a matter of fact the country is simply groaning under the burden.

**Sir Montagu Webb** (Bombay : European) : It is just the same everywhere else.

**Rai Bahadur Pandit J. L. Bhargava:** No. This is not the case everywhere. As regards the financial necessity, I submit that it should not outweigh the considerations which I have put before the House. It would have been and is still far better to obviate that financial necessity by adopting proper measures than to create financial necessity and sit calmly to think how to meet it. This question was fully discussed last year also and the Assembly after careful consideration had decided not to abolish the pice postcard and half-anna envelope. The same arguments which were advanced last year apply to my proposal which I have made in my amendment. Moreover, Sir, the raising of this tax will cause discontent and unpopularity in the country. Every time a man will sit to write a letter he will be reminded of the taxation which this Finance Bill proposed and it will be a source of perpetual discontent and resentment. As regards the half-anna envelope, which is used both by the poor and the middle class people, I would say that it insures secrecy of communication to them and it can never be denied that the poor and the middle classes have and are entitled to have secrets which require to be conveyed to their friends and relations. I have proposed one anna for one tola on the ground that it will bring in some more revenue than the rates which have been proposed in the Finance Bill and that this increase will not affect the poor and the middle classes but the burden of this increase will fall only on those who can well afford it and have shoulders broad enough to bear it. The loss that might be caused by not raising the price of the postcard and by not abolishing the half-anna envelope will be sufficiently met by the proposal of one anna which I have made. And even if my amendment does not bring about this result, I would press for the retention of the pice post card and the half-anna envelope at any cost. I may at once mention that I and those who think with me will be quite satisfied if the printed postcard and the embossed envelope are maintained. They are not eager to have the adhesive three pies or six pies stamps and I hope that the proposals which I have made will meet with the general approval of the House and will be accepted by the Government.

**Mr. President:** The Honourable Member's amendment deals with four or five points on each of which there are other amendments as well. I think

I had better simplify it by dividing it into several parts. The first amendment may run as follows :

'That in Schedule II to the Bill, under head 'Letters', for the words—

'Two and a half tolas . . . one anna'

the words

'half a tola . . . . . half an anna.'

be substituted.'

**Rao Bahadur C. S. Subrahmanayam** (Madras ceded districts and Chittoor : Non-Muhammadan Rural) : Sir, the question of these rates is so mixed up, and I therefore crave leave to speak on the whole question of the revision in the postal rates. Well, Sir, I am very very sorry that we have to part company with the quarter-anna postcard. I know that there is a wide feeling that the quarter-anna postcard ought to be retained. As we all know, the postal service must pay its way. So the question simply is whether it does pay its way. If it does, then probably there is no case for enhancement of any of these rates. But if it does not, then what is the position of this Assembly? Are we to ask the general tax-payer to make up for the deficit caused by the postal expenditure? That is the principle underlying this business. Well, if the House thinks that the general tax-payer ought to be called upon to recoup the losses sustained on account of this postal service, then the point will be understood very clearly. Now, as regards this postal business, the quarter-anna postcard came into existence, I think, somewhere in 1875 or 1876. Now, quarter of an anna had a greater value then than it has now and the earning capacity of the people also has risen since then. Apart from that there is the argument which is always put forward that the poor are affected. I do not think that is a correct statement. About 90 per cent. of the population of this country are illiterate. They do not write letters. I want to understate my case. Of the remaining 10 per cent. very poor people do not write letters, or at any rate write only very rarely—they write letters only on very serious and important occasions, such as deaths, marriages and such like occasions. The people who write most are, if I may say so, people of my class, traders and merchants. All business men, all professional men, write very frequently, and the postcard is most used by tradesmen and also, I know, in lawyers' offices.

Now, the question is whether the losses occasioned by these classes ought to be made good by the general tax-payer. That is the question which we have to face, and, if the Assembly thinks it ought to be done, that is another matter again.

Then, there is another aspect of it. The postal service ought to be improved in very many directions. There is good scope for improvement, and you cannot have the improvements without money. Now, I am familiar with the rural postal service. In my own village I know the postmaster, who is no doubt a pluralist, gets Rs. 3 or Rs. 4 a month. (*A Voice*: 'Rs. 6 now'.) It has been raised now, I am very glad of that. Well, he gets Rs. 5 or Rs. 6 a month. But look at the responsibility. He receives and delivers registered letters containing valuable property. The postal peon gets Rs. 10 to Rs. 12 a month. (*A Voice*: 'Rs. 16 to Rs. 18'.) In my own village, when I made inquiries, it was Rs. 11 or Rs. 12 in the Tanjore district. It does not matter. That also shows that the master gets very much less than the servant. The postman has got an ambit of about 10 miles, going round a number of villages, and, probably, in the course of a year or two, he will ask for more, because he is a literate man and his wages cannot be less than those of an ordinary unskilled labourer in the neighbourhood. So, you are bound to pay him more. And in the smaller towns and the larger towns we know that there are organisations that demand more pay for the postmasters and also for the subordinate officials. How are you going to meet that? On the one hand, we ourselves are asked to preside at conferences and meetings which demand higher pay for these poor postal servants, and we support them and we sympathise with them.

There is another matter. In regard to many outstations, the post office does not own any buildings. Now, the inconvenience caused by the absence of buildings is very great. People who are familiar with small towns know that it is not easy now-a-days to get buildings for post offices, and a post office must necessarily provide a residence for the postmaster as well. That is one of the essentials of the postal service. Unless a postmaster has a residence in the office, the service cannot be done with that regularity and punctuality that we are always accustomed to associate with the postal service.

Now, in every direction in that department more money is wanted to make it still more efficient and to bring about all the improvements that are necessary. Now, as regards this quarter-anna postcard, the paste board itself probably in the ordinary market costs a pie or slightly less than a pie. Practically the Government gets only two pies on each postcard for the service which it does. Well, is it not fair that we should raise the rate of the postcard ? The measure would be unpopular among the literate classes, I admit. Well, I believe the House will agree that more money is wanted in order to improve the methods of the department, to introduce reforms in the department and also to provide the wants under which the department now suffers, want of buildings, better pay and better arrangements, and, therefore, it is necessary. There is another improvement needed in regard to this rural service. There are villages which get a daily postal service, except on Sundays; there are other villages which get a service twice a week, and others once a week. I am quite familiar with all these. In the case of villages where letters are delivered only once a week, fancy what difficulties are entailed upon the people in that area. Now, to arrange for more prompt deliveries you want more men, more money. This department is probably the one department of all the departments of Government against which we have the least complaint. (Hear, hear.) If our other departments of Government were managed with that efficiency and with that readiness to meet the demands of the public and to hear the complaints of the public, I think we should all probably be living in the best of worlds. (Hear, hear.) When we take another commercial service, Railways, we have nothing but condemnation, nothing but our curses to pour upon that department. But for the postal department there is nothing but praise and commendation. We have been told often, from the day on which the Budget was introduced, that this is a commercial service and it ought to pay its own way. But Government have got their own peculiar way of doing things. When it conducts a commercial service, it ought to take a leaf out of the book of commercial men, how to deal with us, how to deal with the outside public. Well, I should have suggested, if I had a voice in this matter, the presentation, as a complimentary copy, of that book on Post Offices, which is probably lying idle somewhere, to each of the Members of the Assembly. We should then be able to know something about the post office and the improvements that ought to be made in the postal service. I should also have suggested to Government to print a large number of leaflets, giving the actual work of the post office, the number of letters, parcels and other things which have passed through the post office in a year, the expenditure that has been incurred, the amount of money that is wanted, and the improvements that have to be made, and, therefore, the necessity for raising the revenue. The Publicity Board, or whatever it is that corresponds to that branch of the service under the Government of India might have been pressed into service, and my Honourable friend, Mr. Sarma, might have done some such thing in order to allay any discontent in the outside public. Our fear has been well voiced by one of my friends yesterday that people outside will take us to task and say, 'What is it that you have done? You have gone to Delhi, you have doubled the postage and come back here.' But, if the Government had done some such thing as I suggested in advance, we should have been spared the difficulty of defending ourselves before our questioners and our critics.

Now, Sir, I think I have put forward the salient points which justify an increase in the postal rates. There are some minor things in which improvements might be brought about departmentally in the working. If we raise the letter postage to one anna, something might be done to ensure the delivery of the letter, something in the nature of a post office certificate that is now issued for every letter that is despatched. Now, in the case of any letter or communication that is issued through the post office, its receipt is certified under an arrangement for which we pay a very small fee. That fee might be dropped, and, when we have raised the postage to one anna, every letter might, if so demanded by the sender, be certified by the post office. I believe there is such an arrangement in some of the continental post offices and I shall not elaborate the point here; but I submit that along with the increase in the rates some improvements of a striking character might also be introduced, and that you should not run the post office in the oldfashioned humdrum style. I think I have said enough in support of this measure, and my Honourable friend, Mr. Samarth, need not think that I have stultified my position in the Democratic Party by rising to speak in support of the Government.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Sir, I am afraid there is no escaping the position, and Democrat and Nationalist and everybody else must recognise that we have got to improve the

postal service and that the public that uses the post have to a certain extent to suffer on account of it. It must, however, be a matter of compromise and a compromise, to which the Postal authorities themselves cannot object, may be effected if Government agrees. If you, Sir, will kindly permit me, with the Assembly's leave, I should like to suggest such a compromise which might be acceptable to all, namely, that we should, instead of a half-anna postcard, have a three pice or nine pies reply postcard and a three pice embossed stamp. This will probably give something over a crore of rupees—near upon a crore and twenty lakhs. Ninety lakhs is what the Postal Department wants, for it is not reasonable to say after amalgamation with the telegraphs that the two accounts must be absolutely separate. The Honourable Sir Malcolm Hailey would like a little over the 90 lakhs and a few lakhs would be available. If that compromise is accepted, that is about the best that could be done, and with your leave I shall move that as a substantive amendment:

'That in place of 'half an anna' the words 'three quarters of an anna' be substituted, and the words 'three quarters of an anna' be substituted as the price of embossed half a tola envelope instead of half an anna as suggested by Mr. Lindsay.'

**Mr. Darcy Lindsay** (Bengal: European): Sir, I have an amendment standing in my name. I do not know whether I am permitted to move it at this stage or am only to speak on the general subject.

I recognise that it is necessary to increase the revenue to meet expenditure, and this can only be done by raising the rates of postage. We certainly cannot afford to work at a loss, but, at the same time, I contend that the Postal Department should not be utilised to produce a large contribution to general revenue. The legitimate contribution comes from the extra revenue obtained as a result of the business activities of the people fostered as it is by general correspondence, and herein lies the real value of the Postal Department. The Honourable the Finance Member in his Budget speech showed that it was not possible to increase telegraph charges which, as he said, are already on the high side, and that branch of the Department more than pays its way. He therefore falls back on the postage to make up the deficit. The raising of the rate for postcards to half an anna, which I support, and the increase in ordinary letter postage to one anna for 2½ tola weight, will in itself probably more than make up the present deficit of 96 lakhs, and I feel justified in my plea for the retention of the half anna postage by means of the embossed envelopes which are so dear to the hearts of the millions of this country. My Honourable friend, Pandit Bhargava, has referred to the subject of privacy. I am entirely with him there, Sir. The postcard can be read by the village postmaster and the delivery peon. It does not give that privacy that the people are entitled to. I admit that some of the 64 lakhs contributed to general revenue may be lost but, as I said before, the Postal Department, while not being a burden on the tax-payer, should not be worked to yield a large profit. My object in restricting the half-anna postage to the embossed envelope is to assist the Department in the sorting of letters and detection of overweight. The envelope is very small—here it is—and overweight can readily be detected by reason of the bulk of the package. The cost of delivery can be no more to the Postal Department than the postcard, and it is therefore only loss of revenue that we are concerned with. A material loss of revenue is by no means certain, as many who now use the envelope will resort to postcards and will equally resort to letters and not to postcards if my amendment is carried. The benefit to the people will be great, and I submit, Sir, that my compromise is worthy of a trial. I therefore, Sir, with your permission, move:

'In Schedule II to the Bill under the head 'letters' insert the following entry:

*'Letters in Stamp embossed envelopes.*

| | |
|---|---|
| For a weight not exceeding half a tola . . . | Half an anna. |
| For a weight not exceeding two and a half tolas . | One anna. |
| For every two and half tolas or fraction thereof exceeding two and a half tolas . . . . | One anna.' |

**The Honourable Mr. B. N. Sarma** (Revenue and Agriculture Member): Sir, if I intervene at this stage it is because I feel that most of what can be said in favour of the proposal to amend the taxation recommendations of the Government has been already said and it might save time. It is indeed an unpleasant task for me, who have only recently taken over charge of the Postal Department, to rise here from my seat and ask for an increase in the postal rates within a few months of my assumption of that office. But I venture to state that if I ask the House to accept the Government proposals it is not merely in the interests of the general finances of the

country but in the interests of the Department itself, in the interests of improvement of communications and in the interests of the poor whose woes have been so graphically described in this House both on this and on previous occasions. I venture to make that statement because I hope to be able to convince the House that unless the House recognises that there is need for great expansion in this Department, need for affording greater facilities to the public, there is no chance that this Department will receive that consideration from the rest of the Government of India or from the public that it so richly deserves. I am grateful to Mr. Subrahmanayam for rendering my task a little light. I am grateful for his recognition of the hard and meritorious work which the hard-working officials of my Department do; and if I speak at all it is because I feel that unless you accept these increased rates there is no chance of benefiting the rural community whose interests we have so much at heart: there is no chance of improving the communications upon which the trade of the country so largely depends; there is no chance of our improving our telegraphic communications, with which branch of activity the Post Office is intimately allied; and, furthermore, there is no chance of our meeting our deficit this year—a consideration which does not weigh very heavily on my mind as head of this Department, but does weigh as a Member of the Government of India. Honourable Members will find that the number of post offices is only 19,496 and an increase of only 600 in ten years; whereas the number of villages and towns of over 1,000 in population is no less than 62,000. If you want to provide a post office or some sort of postal communication in every village, you would have to aspire to a very much higher figure because the number of villages is 722,000. I am not now for a moment suggesting that it is practicable, possible or desirable that we should or can reach that figure because most of these are villages merely in name; but even if you exclude villages with a population of below 500, you have still 1,70,000 to account for; and of these 19,496 post offices you have nearly 12,000 odd run by extra-departmental postmasters and about 1,300 by branch postmasters, so that really the post offices which carry on any very large amount of work are confined to the larger centres of population, and you can realise what magnificent work is still before the country, how much the country has to be developed in the shape of communications if only literacy and money would permit our task being rendered possible. Now, it has been said already by Mr. Subrahmanayam how miserably poor some of these branch postmasters are, how low-paid they are; and when I had the honour of sitting on the Postal Committee, nothing struck me so much as the complaints which the hard-worked officials of this Department continually put forward before that Committee that the Department would have to be considerably strengthened if they are to be treated with the same consideration with which the officers of other Departments are being treated. I am not now suggesting for a moment that it would be possible to make any progress worth the name in that direction, but still we shall have to bear in mind that this is a Department in respect of which no possible retrenchment can be made in many directions in which we may hope for retrenchment in other departments and activities of the Government of India or Local Governments. So much for what has to be done or what is possible to be done.

It has been said that it is in the interests of the poor that these amendments are put forward. We have got 8,000 odd village postmen; and even assuming that out of more than 29,000 postmen in all, the village postmen carry about $\frac{1}{3}$rd of the total postcard and letter mail, what does it come to? 175,000,000 people have between them 350,000,000 letters and cards, that is, 2 cards and letters per head per annum; and assuming that to be so, it means you would be raising $\frac{3}{4}$ths of an anna per head of the population per annum in rural areas; and that is a very liberal estimate, because I am sure I am putting it on the high side when I say that the rural areas do correspond to the extent of about 350 or 400 million letters. Therefore, let us not talk in the interests of the agricultural population. We shall confine ourselves to the other 75 millions of the population living in towns and villages of over 2,000 in population. Coming to that, how does it work out? For 75 million people you have about 800 or 900 million letters and post cards, or 6 postcards, let us take it, and 6 letters per head; it comes to about half an anna or less than half an anna per head per mensem; surely it would not be contended that in these large centres of population half an anna per head would act with any very great oppressiveness on the poor. You may say, 'Oh! but it is not these classes so much we have in mind as the literate classes.' It is true that it is the literate classes that largely indulge in writing letters; and even taking it that the literate population is only 30 millions, how does it work out? As the Honourable Sir Malcolm Hailey put it last year, on the assumption made, it works out to 30 letters and cards per year, or rather 15 postcards and 15 letters or $3\frac{3}{4}$ as. *plus* $7\frac{1}{2}$ as., and that is

not much. I, therefore, submit that you cannot oppose the taxation proposals of the Government on the ground that the taxation would press heavily upon those who use the letter post. But I have got a higher ground. It has been calculated, though not with exact precision, that the half-anna letter post and the postcard alike put together or taken separately are a burden and a charge upon the Department as a whole. The Department does make some money on its money order business and its insurance business and so on; Honourable Members will find that under the estimates we have budgeted for about Rs. 110 lakhs from money-order and other business and we made about Rs. 18 lakhs in 1920-21 in insurance business, and the whole of that is swallowed up really in carrying postcards and letters at a quarter and half an anna, *i.e.*, at very cheap rates. Therefore it is not a business proposition to ask the department to carry out its chief function, namely, the carriage of His Majesty's mails, at a decided loss and that the accessory activities of the department should be asked to contribute towards the discharge of the main function of the Department. I submit, therefore, that we shall not be meeting through this increased taxation more than the net loss on the service under these two heads. I think the Honourable Mr. Lindsay said that we should not make any money out of this, that it is a commercial department. Let us accept that for a while. We hope to be able to make about 160 lakhs; the Honourable the Finance Member has suggested that we are running these two departments at a loss of Rs. 90 lakhs unless the Government proposals are accepted; but we make a profit of about Rs. 81 lakhs on the telegraphs on the actuals of 1920-21 and therefore the net loss on the Postal Department would be Rs. 171 lakhs, and these increased taxation proposals would not meet them.

Therefore, what I would suggest to the House is that by these taxation proposals we are not making the post office more than pay its way. We have no reason to ask that these two departments should for financial purposes be clubbed together, that they should be treated as a whole, or that the profits of one should be made to balance the losses on the other, even assuming that the other departments of the post office, whose activities are no doubt beneficent, should be made to pay to discharge the principal function, namely, of carrying the letter mail of His Majesty's Government.

**Mr. W. M. Hussanally** (Sind: Muhammadan Rural): For how many years has this Department been worked at a loss, may I inquire?

**The Honourable Mr. B. N. Sarma:** Last year we ran the department at a loss. This year we are going to run it at a loss. In 1919-20 we did make some money and that was because the interest charges on the capitalised value of the post office building, etc., had not been debited, and I doubt, therefore, if it is treated purely on a commercial footing, whether the profits will be so large.

**Rao Bahadur T. Rangachariar** (Madras City: Non-Muhammadan Urban): The profits would be larger if you adopted that course.

**The Honourable Mr. B. N. Sarma:** There might be a little loss or a little profit, but there is a pertinent answer to that question. We were running the department very cheap on the old rates of pay, whereas we incurred about 130 lakhs of rupees extra cost in increasing the establishment charges of menials and clerks and also of the lower subordinates of this department. Honourable Members may be under the impression that we have increased the establishment charges, etc., to a very appreciable extent by adding to the salaries of the controlling staff or higher officials. No. The Postmasters who draw the higher salaries have still their grievances, the Superintendents who draw the higher salaries have still their grievances unredressed and the emoluments of the higher officers have not been touched, assuming that anything is desirable to be done in that direction. I am not saying for the moment that anything is desirable or necessary. We may not be able to do anything for them within this year or for some time to come.

**Mr. W. M. Hussanally:** Then I hope it that there has been a surplus all these years up to 1919-20.

**The Honourable Mr. B. N. Sarma:** If you do not take the interest and other charges into account, there was a surplus in respect of the post office for some years—I cannot say for how many years. But we have been running the department at a loss. We are, however, concerned with the present, and we cannot make both ends meet, for two simple reasons. We have got now a progressive rate of pay, therefore, for a little while, until the older men retire

the annual increments that would have to be added to the establishment charges would be on an appreciable scale. That is one item of expenditure. Then, again, if your time test proposals are to be revised, the establishments may have to be strengthened. Therefore, I do not see any possibility of retrenchment. On the other hand, I see many possibilities of an increase in expenditure under the establishment charges as well as other charges, and this deficit therefore is bound to increase as time goes on unless we take some steps to make both ends meet. I would therefore suggest to the House that excluding the Telegraph Department which admittedly is levying a very high rate . . . .

**Rao Bahadur T. Rangachariar:** No, no, 12 annas.

**The Honourable Mr. B. N. Sarma:** It is, when compared with other countries.

**Dr. H. S. Gour:** Yes, Yes.

**The Honourable Mr. B. N. Sarma:** If you exclude that, the department would not be run at a profit. It will merely pay its way even assuming that these taxation proposals are agreed to. I therefore, suggest, Sir, that there is no scope whatsoever for any amendment in the direction suggested by the Honourable Member.

I fully appreciate and sympathise with those who wish to give the middle-class man a chance of sending letters by post at the same rate as has been existing hitherto, that is half-anna. But I have said enough to show that the half-anna postage with the modification suggested last year has not brought in any revenue. It has brought in only about 10 lakhs revenue and has led to grave administrative inconvenience, because the continual surcharges have had to be adjusted, they have had to be levied, and it is not worth the trouble. Furthermore, the number of such middle-class people whose cause has been pleaded here would be comparatively small, they will be all townsmen principally, persons whose wages have gone up fairly high during the past two or three years. I am not saying for the moment that the cost of living has not gone up, but still we do look forward to the ability of these townspeople being able to bear the slight additional burden both in the general interests of the department as well as in the interests of the general financial condition of the country. Sir, great has been the history of this department in the past. Its beneficent activities have been appreciated and we are thankful to the public for the same. But if the benefits of the postal department are to be carried further to the doors of the very poor, to the doors of the agricultural classes, if the benefits of the Savings Banks Department and other activities of this department are to be carried to the very doors of these numerous millions in the remote villages, most of which are not at present served by a post office, directly, then I would submit that those who do use the post office in such large numbers must agree to bear a little more than they have been accustomed to in the past. It is a mere question of sentiment, and nothing more. It has already been pointed out that 3 pies three years ago were equivalent to 6 pies now. Therefore, on that one single ground, I think the department is entitled to higher charges which we are asking this House to sanction. I shall not weary the House any more, but I hope the House will not labour under any misconception that these proposals have been put forward solely in the interests of the financial exigencies of the moment. I would submit that, apart from the financial exigencies of the moment the post office should be made to run without any loss, and these proposals should be sanctioned on their merits. But there is no doubt, there is this higher consideration for this year, namely, that having cut down so many proposals of the Government . . . .

**Rao Bahadur T. Rangachariar:** No, we did not cut you down.

**The Honourable Mr. B. N. Sarma:** At any rate, the effect of your action is that our uncovered deficit is much larger than under our proposals, and I would therefore suggest to the House that the pruning knife cannot be applied any more.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): Sir, may I ask the Honourable member in charge of the Department as to what he thinks of the specific proposal of my Honourable friend Mr. Darcy Lindsay? How does it in any way affect the anticipated revenue? It would be just the same as on the half-anna postcard. Supposing there are one lakh of postcards or 10 lakhs of postcards which you anticipate passing through the post offices during the year with half-anna stamp on them; well, divide the same between some

postcards and some half-anna envelopes embossed. How will this proposal in any way prejudicially affect the anticipations of the Honourable the Finance Member in respect of revenue ?

**Dr. H. S. Gour** (Nagpur Division : Non-Muhammadan) : May I also ask another question, Sir ? The Honourable Sir Deva Prasad Sarvadhikary moved an amendment that reply postcards might be sold for 9 pies. Of course, that raises a difficulty, because whether the reply postcard can be used only for the reply or for general purposes is a question which I should like the Honourable Member in charge of the post office to reply to.

Another question, Sir. If we agree to the increase in the postcard charge from one pice to two pice, or three pies to six pies, do the post office people agree to increase the size of the postcard, or are they going to retain the old size ? These are the two questions I should like to ask. Also, as suggested by an Honourable Member, what difference would it make if the increase on postcards is from 3 pies to 4½ pies ? What difference will it make in the revenue if, instead of suddenly jumping from 3 pies to 6 pies a postcard, an intermediate stage of 4½ pies was introduced ?

**Mr. R. A. Spence** (Bombay : European) : May I ask with regard to that suggestion, Sir, where we are to find a 4½ pies coin ? Will that be produced ?

**Mr. J. Chaudhuri** (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : A couple may be sold for 3 pice or nine pies. Cards are usually printed in couples and sold. They are usually printed in this form (showing a reply postcard). Two may be sold for 9 pies. The cost of printing will be the same for each postcard or even less when printed in couples. At any rate there will be no additional expenditure.

**Dr. H. S. Gour :** The increase will then be 50 per cent. instead of 100 per cent.

**Mr. J. Chaudhuri :** That will bring in 50 per cent. additional revenue without any additional cost. A couple should be sold at a time, and not one. They should be issued only in couples as they are issued now very largely.

**Mr. G. R. Clarke** (Director-General, Posts and Telegraphs) : May I reply to the questions that have been asked ? We have been asked what will be the effect of having a reply postcard sold for 9 pies. A reply postcard, so far as the post office is concerned, consists of two postcards and it is simply made for the convenience of the public to enable a postcard to be sent to an addressee and to get an answer without costing the addressee anything. It is used almost entirely by commercial and professional people who want to send out either advertisements or notices, and to get replies which will cost the addressee nothing. If we are going to have a reply postcard sold for 9 pies there is nothing to prevent the public buying this for 9 pies, and cutting it into two, and a postcard will then cost only 4½ pies. The half-anna rate for a postcard will then disappear. But the poor man about whom you are talking so much wants one postcard at a time. He does not want to buy two postcards at a time. Suppose that he goes to a post office to buy a postcard for 4½ pies. What do you think he will be charged in any post office ? He will be charged ½ anna. There is no change. We do not keep pies. They are not current coins now-a-days. He will be charged ½ anna. You are really putting a rate on to the postcard which the public will get no benefit out of, and will simply cause confusion and trouble.

**Dr. H. S. Gour :** Is half pice not a current coin ? I ask the Honourable the Finance Member whether 1½ pies is not represented by a copper coin ?

**Mr. J. Chaudhuri :** That difficulty will be obviated by selling a couple for 9 pies or 3 pice of the current coin. It is used very largely. Postcards may be sold in couple only. If an agriculturist or a poor man wants to buy, let him buy two at a time One he may use and one he may lay by for future use. If the price of postcards be raised to half an anna each, and if Mr. Lindsay's amendment for the retention of half-anna embossed envelopes be accepted, postcards will practically go out of circulation and it would deprive the Post Office of revenue, whereas if you issue postcards in couples, they will be as largely availed of as they are to-day by the public at large, by ordinary traders and commercial people for printing advertisement (*Mr. Jamnadas Dwarkadas* : ' Especially at election time ') on the one side and using the reply postcard for securing orders, and that will bring in very substantial profits to the Post Office and also facilitate and popularize correspondence.

**Mr. N. M. Samarth :** The more so to the candidates at the time of the elections.

**Mr. J. Chaudhuri :** That is altogether a different question. That will depend on whether I offer myself for election or not. Anyhow, it will be largely used by the public, the traders and commercial people, and without any additional expenditure it will bring in to the Post Office over the postcards quite 50 per cent. more net profits. I have written out an amendment which I shall submit if Mr. Lindsay's amendment is accepted by the House.

**The Honourable Mr. B. N. Sarma :** I think from the revenue point of view this taxation is supposed to bring in 160 lakhs—Rs. 70 lakhs under the head of Postcards and Rs. 90 lakhs under the head of Letters, altogether Rs. 160 lakhs. I have informed the House already that there was a profit of Rs. 81 lakhs under the head of 'Telegraphs' in 1920-21 and there is to be a total deficit of Rs. 90 lakhs on the combined system. Therefore, this Rs. 160 lakhs is to make up the loss on the Post Office, *i.e.*, the profits in the Telegraphs *plus* this deficit of Rs. 90 lakhs. Therefore, so far as the Post Office is concerned, this 160 lakhs will merely make both ends meet. There would be no surplus whatsoever to the general Exchequer from the Post Office revenue by reason of enhancing the rates in the manner proposed. If you have your 6 pies for half a tola, you would lose necessarily a considerable portion of your revenue.

**Mr. N. M. Samarth :** I keep the half anna on postcards and on embossed envelopes.

**The Honourable Mr. B. N. Sarma :** Half-anna will give you only Rs. 70 lakhs. By raising the rate of half anna to one anna in respect of all letters we propose to make about Rs. 90 lakhs. You will lose considerably out of this Rs. 90 lakhs if you have letters carrying half a tola for half an anna.

**Rao Bahadur T. Rangachariar :** How many of them are under half a tola? Can you give us the actual figures?

**The Honourable Mr. B. N. Sarma :** I am not sure that there is any clear account showing the number of letters carried under half a tola.

**Dr. H. S. Gour :** How much by weight?

**Mr. G. R. Clarke :** In any postal system the number of letters which are carried upon the minimum weight really depends on what is known as the initial weight of postage, and the number is usually 85 per cent. to 90 per cent. I have had it very carefully tested during the last few months and we found that the ½ anna letter is between 85 and 90 per cent. of the total number of letters posted. That is, I think, the usual percentage it works out to everywhere. Whatever the initial rate of postage is, the community accommodates itself to it very quickly, and it is between 85 and 90 per cent.

**Mr. W. M. Hussanally :** May I inquire, if the rate of postage is raised to one anna for every 2½ tolas, whether the number of smaller letters will not fall, and consequently the revenue of the Post Office will not fall? I consider that if every one is made to pay one anna for 2½ tolas, the sale of these envelopes and also the postcards will necessarily fall and that there will be a corresponding reduction in the income which will take away the increased revenue that you expect?

**The Honourable Mr. B. N. Sarma :** We have taken account of that. There will be a fall of about 20 per cent. or more by reason of our increased charges. All these increases in revenue that we have mentioned are in spite of the reduction in the total number of letters and postcards which have been carried hitherto in the past.

**Mr. W. M. Hussanally :** May I inquire how much the reduction will be?

**The Honourable Mr. B. N. Sarma :** About 20 per cent.

**Mr. W. M. Hussanally :** I think it will be more than 50 per cent.

**Rao Bahadur T. Rangachariar :** We have two or three facts to consider in judging this question. This is not a year in which we can embark on making the postal system an ideal system. I think the Honourable Member of the Department will agree with us in that respect. We are out here to make both ends meet as much as possible. No other suggestions to improve based on the statistics about villages and population appeal to us to-day and I

do not think they will appeal to the Honourable the Finance Member either. Therefore let us keep such things out of consideration. The anticipated deficit in the combined Department is, if I mistake not, about 90 lakhs. We have to find these 90 lakhs for making it self-supporting. More than that, neither the Finance Department nor this Assembly will agree to embark upon. Now, with regard to the postcard we give you 70 lakhs. Accept Mr. Lindsay's amendment and it will give you at least an additional 25 lakhs, that is, half an anna for half a tola alone, and all the rest one anna. This must give you on the whole at least 100 lakhs. We do not want more than 100 lakhs in this year of financial stringency. One other fact is that we have been ruthless with regard to other Departments. We did not carry our five per cent. reduction in your Department. We let you off with 10 lakhs. Consider that when you are spending crores and crores and you know what estimates are like—do I not know what these estimates of expenditure are?—I will give you facts and figures later on as regards these estimates—but I think Mr. Lindsay's proposal is the proposal which we ought to accept and I do not think that the Department should grudge it.

**Khan Bahadur Zahiruddin Ahmed** (Dacca Division: Muhammadan Rural): Sir, one of my Honourable friends has argued to-day and some argued last year, that the enhancement of the postal rates and the raising of the price of postcards will affect the poorer masses very heavily, the poor peasantry and the working classes of men will be almost ruined, or nearly wiped out. Those who have argued thus—either they are not aware of the country or they are trying to mislead this Honourable House. I can boldly say in this Assembly that the poor classes of the population will not be at all affected. I will just now enlighten the Honourable House that the poor peasantry and the working class of men do not know how to read and write at all any more than they will be going to write letters always. They are all illiterate men from end to end. There is a Persian saying that '*Damun az koja arum ke jamai nadarum*', which means 'Where shall I get a skirt as I have no dress at all?'. Hence I say, when these poor people do not know how to read and write at all, how will they be writing letters at all times, may I inquire? I must say that it is somewhat amusing to hear such arguments in favour of the amendment. The truth is that this enhanced rate will fall on the middle class and richer class too. These two classes can afford to pay a little more. The rich men are out of the question and as to the middle class of men, from which the majority of the Honourable Members come, I beg not to grudge a few annas more per month for such expenses and I also request them not to drag in the poor masses, whose interests in this matter is only nominal. If one will look at the statistics one will find that only on an average one postcard and one letter per head of the population per year is used in India, which goes to prove my contention that the masses of the population in India are not letter writers. I admit a few or some may be writing 100 postcards or letters in a year and others may not be writing one post card or one letter in a hundred years. So far as I know, and I know correctly, in India the masses do not write over three letters or postcards in their lives and I mention the occasions: (1) when the father or the mother is dead, (2) when the son or daughter is born or dead, and (3) when the son or daughter is married. The working of the post offices is giving the public great satisfaction and so this branch of service ought to be made self-supporting. The middle class of people from which the majority of the Honourable Members have come, ought not to grudge a few annas more to help a department which is giving universal satisfaction. In the honest way this department is managed, I have not only love but respect for the postal employees and I make this public utterance in recognition of their excellent services. I have nothing but good to speak of them and I say so with a full heart. With these few words I support Mr. Darcy Lindsay's amendment which will give secrecy without making the Department suffer in any way from the financial point of view.

**The Honourable Sir Malcolm Hailey:** We have just heard an argument which seems to require immediate attention on our part. We were told that because there is on the combined Post and Telegraph Department only a loss of 90 lakhs, therefore we need only adjust postal rates so as to give us 90 lakhs. Now, the combination of the Post and Telegraph Departments is one mainly for administrative convenience. The House will remember that for very many years they were run separately; during that period, their accounts were, of course, kept apart, and we sought to make each Department balance its expenditure and its income. Now, apparently, simply because for administrative purposes and in order to effect a certain saving in overhead charges we have joined these two Departments together, we are met

with the proposition that the losses on the Postal Department must be carried on the back of the Telegraph Department. That is what it amounts to. (*A Voice*: 'No.') (*A Voice*: 'Why not?') You have altogether on the Postal Department a loss of 171 lakhs. You are to replace 90 lakhs of that from increased charges in the Postal Department itself and you are to take the remainder from the Telegraph Department. Let me carry the argument a little further. Suppose that in the numerous changes which take place in our headquarters arrangements we were to put Railways and Irrigation under one head; suppose that we incurred a heavy loss on Railway; should we be told that we need not make up that loss because we are making a gain on Irrigation? You may apply the same argument in that way to a number of Departments of a commercial or *quasi*-commercial nature. Let us be duly thankful that we continue to make some profit on the Telegraph Department. I do not know how long, in view of the continual increases in the rate of pay of the establishment, we shall be allowed to make this profit or what will happen if the public insists on reduction in the charges. Let us be thankful at all events for our present small mercy. My contention is, that as we are losing 170 lakhs on our Postal Department, we ought to make up that 170 lakhs quite irrespective of the fact that we are making at the same time a small gain from the Telegraph Department, or the Opium Department or any other Department of the Government of India. It is perfectly true that both of these Departments are important means of communication. So also is the Railway Department as a means of communication. But the mere fact that you can bring them under one man does not mean that one Department should pay for the losses of the other. You might drive us on this line of argument to break up the convenient and efficient arrangement which we have adopted, an arrangement to which this House itself to-day paid a compliment, of running these two Departments under one headship. I am not going to repeat the arguments which I put before the House last year as to the justification of taking a small gain from these Departments. The House seems to think that it is improper that a public service department of this nature should bring in a small gain to the State. But it did so in the past. Our Postal Department in the past used to bring us in a small sum,—in 1917-18, 46 lakhs; in 1918-19, 38 lakhs; in 1919-20, which was a year of trade boom, 75 lakhs. We did not, I remember, receive many attacks then for taking that small gain from the Postal Department. England in the year before last expected to make £3½ millions from the Post Office, Canada, a very democratic country, was going to make 2,300,000 dollars, Australia £387,000, and Japan 73½ million francs. So that if we were in the habit of taking small gains from our Post Office, we erred in good company. This year I do not attempt any justification of that process, for the simple reason that we do not intend to attain to any consummation so desirable. We merely ask that the Post Office expenditure and the Post Office income should be made to balance itself, and made to balance itself quite independent of the fact that we may happen to be making a small gain in any other department which we run in the interests of the public.

**Mr. B. N. Misra** (Orissa Division : Non-Muhammadan) : Sir, I beg to oppose all these amendments. My sole ground is, of course, quite different from the grounds advanced by the Honourable Members of this House. My sole ground is this. Does the sender of a letter or postcard not get the benefit of the half anna or one anna postage on the letter or postcard sent? That is the sole reason, apart from other considerations. If a man lives a thousand miles away, by spending half anna or one anna he can get every information from a district, a thousand miles away. I don't think there is any reason for him to grudge to pay half anna or one anna. (Hear, hear.) Those who don't go out don't require to send any letters: it is only those people who go abroad, either for commercial purposes, or for service, or for any other purpose, that require to send letters. I submit it will be quite reasonable for any such man to pay for the benefit he gets out of the letters he sends. If Government wants all these monies for financial stringency, there, I think, will be strong objection, as really the Department which works so hard is not properly paid or remunerated, so that much of it should go to improve the Department, and there will be no objection to a small portion going to the Government as it is at the head of the administration.

On these grounds I oppose all the amendments, and I think Honourable Members of this House will not bring opposition for the sake of opposition but must judge each matter by its own merit, that is, the benefit which it brings to the sender. I hope that Honourable Members will consider that and give their support to Government.

**Dr. Nand Lal** (West Punjab : Non-Muhammadan) : Sir, I am extremely sorry to hear that the Department is running at a loss. If this loss is

caused by a little increase of salary in the monthly pay of poor clerks, then my sympathy will go to the Department; but if it results from the increasing number of Superintendents and Assistant Superintendents and Inspectors, then I must say that the Post Office is responsible for that . . . .

**The Honourable Sir Malcolm Hailey:** My Honourable friend will allow me to furnish him with one piece of information, namely, that the increase is due almost entirely to the fact that we spend 131 lakhs of rupees more on the pay of the subordinate establishment.

**Dr. Nand Lal:** Then my sympathies are with the Department. However, I have to make two observations for the consideration of the Honourable the Finance Member and other official Members, and I am sure that they will give them their consideration. One of them is this; that at the time of proposing taxation they ought to see what is the popular view, and if they do not know, here I stand to do my sacred duty to tell them that the popular view is against this taxation The second point of similar importance which is to be looked at is this. What will be the effect of it? The intention of the Government may be good; there may be several reasons in support of that taxation, but the manner in which the masses look at it will not be very wholesome. I submit, therefore, on these two grounds, that it is wrong to enhance taxation, specially with reference to postcards. With these few observations I offer this submission to the House. (Hear, hear.)

**Mr. W. M. Hussanally:** Sir, I am sorry I have not been able to understand the amendment brought in by Mr. Darcy Lindsay. I understood him to say that he wanted to raise the price of the postcard to half anna, and yet at the same time retain the half-anna envelope. If that be his proposal, I think that the proposal would not work, because if the postcard and half-anna envelope are kept at the same price the postcard will hardly be used, and therefore all the income that we now derive from the postcard will fall almost completely or, at any rate, be very materially affected as everybody will be using the half-anna envelope instead. (*A Voice*: 'Why not?') The half-anna envelope has this advantage, that a man is able to write a letter on a piece of paper, and you can write a good deal more matter in a letter than you can do on a postcard; therefore the advantage you get by writing more matter in a letter will induce people to use envelopes rather than postcards both being carried for the same amount. I am not therefore in favour of Mr. Lindsay s proposal at all. On the other hand, I might say that the raising of the postal rate to one anna for every 2½ tolas is also wrong in policy, because you give an advantage to the commercial classes of using thicker paper and sending a good deal of matter in that 2½ tolas; where you tax the middle and the poorer classes for allowing that advantage to the commercial classes. This advantage is not right for the commercial classes and rich people at the cost of the middle and poorer classes. Therefore I think that policy is wrong, *viz.*, to tax the lower classes for the benefit of the rich. You must have anyway the half-anna postage, so that the poor classes, I mean the middle classes also, should have an advantage also. I am sure the 2½ anna postage will be a deterrent. They will feel that burden very considerably and it will certainly be an undue advantage to the commercial people. My friend, Mr. Subrahmanayam, has perhaps forgotten all the arguments that were advanced last year against this increase in postage rates and perhaps he also forgets that there was a considerable disagreement between this House and the other House. The result was that we had to come to a compromise after several days' discussion. I am perfectly certain this year also the opinion outside this House is very considerably against any enhancement whatever in the existing rates. I might say that even the rate of 9 pies was agreed to very reluctantly. The only question is—what are we to do with regard to this deficit in the working of the Post Office? The Honourable the Finance Member thinks that the Telegraph Department has no business to contribute towards the losses incurred by the Post Office. I do not think there is much force in that argument. The two departments are sister departments, and there is no comparison between the Telegraph Department and the Post Office and Railway and Irrigation. If the Railway and Irrigation were sister departments, kept for similar purposes, the matter of amalgamation might have been considered. If, for instance, all departments in regard to communications were coupled together and one department bore a little loss on the other, I think there would be no harm. The small deficit of 90 lakhs of rupees need not be covered in the Post Office, therefore, if you take into consideration the fact that the Post Office is a very useful department and it is of great advantage to the people. After all, it is a small deficit which I think can be borne. I believe this year there will be a very heavy deficit which will remain uncovered; and, if that be the case, this small deficit of 90 lakhs can also be added to that sum.

**Mr. G. R. Clarke :** Sir, we have heard a great deal about this Department being run on commercial lines and on commercial principles. Well, the first essential of any business department is to sell its products at something above the cost of production, and what we are doing in the post office now is that we are selling our services at something very considerably below the cost of production. We cannot possibly afford to carry postcards over this great continent of India and Burma for payment of a quarter of an anna. The Honourable Member of my Department has shown very clearly that this cannot be done. On the half-anna envelope and the quarter-anna postcard we are incurring a very heavy loss. At the Madrid Conference held in 1920, at which I was a delegate for this country, it was deplored by representatives from every country in the world that they had to raise their postage rates. But they all said that it had to be done. The value of money had declined and the postage rates were raised enormously. The international postage rate was raised from 20 Centimes to 50 Centimes and their internal rates were also raised. Even with these increased rates which we have now proposed, India will have the cheapest postage in the world. Compare the English rates. They are two pence for a letter and 3 halfpennies for a postcard. That is to say, they are four times our letter postage and six times our postcard rate for a distance that is not even one-fifth of the distance that we have to convey our mails in India. Is it fair to ask the Post Office to render its services for the existing rates which are utterly unremunerative ? Then I am told, and I am now speaking on behalf of my own Department, that this Department should be carried as a burden on the general revenues. At least that was the idea of some of the remarks that I have heard. Well, from the point of view of my Department such a position puts a stop to all development. I shall get no money either from this Assembly or from the Finance Department and, as my Honourable friend, Mr. Subrahmanayam, has pointed out, there is much to be done, especially in rural areas. Now, it is an extraordinary thing that these low postal rates have proved a very great impediment to the development of rural postal facilities in India. In very few words I will explain the position. When we want to open a post office in rural areas, we open an experimental post office. The average cost of such an office some years ago was about Rs. 20, namely, Rs. 5 or 6 to the Branch postmaster, who was not a wholetime servant, Rs. 7 to the postman and Rs. 7 to the runner to carry the mails to and from the post office. For that Rs. 20 we asked for a revenue of Rs. 25, which represents roughly a traffic of about a thousand articles a month. If the revenue of Rs. 25 was obtained, that post office was established and it was made permanent. What is the position to day? The position to-day is that we cannot open a rural post office under Rs. 40. A committee sat and fixed the pay of our staff recently and very properly increased it on account of the rise in prices, so that a post office cannot now be opened under at least Rs. 40. But the revenue is the same. We still get Rs. 25 and cannot get anything more. Therefore, the post office is not opened or else is closed very quickly. The result can be seen by an examination of the statistics. If you look up the figures of the post offices for the last few years you will find that the total number of village post offices has decreased by nearly 100. I do not remember the exact figures. This means that there are not as many rural post offices as there ought to be ; people living in villages are thereby greatly inconvenienced. Is it not more convenient for a man to post a postcard in a post office close to him for half an anna, rather than to walk a distance of 15 or 16 miles in order to post it for quarter of an anna? And, as has already been pointed out, with a post office in his village, the villager gets the benefits of the Savings Bank and Money Order system brought to his door. He also gets other facilities which, upon the present rates of postage we cannot afford to give him. As regards the poor man, I do not think I need emphasise the arguments about him any more. Out of three hundred millions in India there are, I suppose, two hundred and fifty millions who never write a letter or a postcard at all. The poor man do not come in in this case. I don't mean to say that they do not ever write letters. They do write, but it happens so seldom that I do not think the increase of the quarter-anna postcard to half-anna and the half-anna envelope to one anna will have effect on them whatsoever. It is always the cry to have mercy on the poor. But the quality of mercy, Sir, is not strained. I understand that it is twice blessed, it blesseth him that gives and him that takes, but the taker gets everything in this case. A Department, however, that is a commercial Department, which fails to pay its way is twice cursed. It is cursed by him that gives and him that takes because the latter will not get value for his money nor the former for his services rendered. We have had several amendments made to-day to try to get over this difficulty of increasing the minimum letter postage from half an anna to one anna. Mr. Darcy Lindsay's proposal is a very spacious

one. He calls it, I think, the poor man's letter, the letter that can be sent for half an anna in a Government envelope and not weighing more than half a tola. Now, that is going to react on our postcard revenue immediately. As regards the envelope, it is not charged for and the result is that you demand only half an anna for a most expensive form of postal stationery. A hundred million of these half-anna evelopes manufactured and issued this year cost two lakhs of rupees.

**Mr. Darcy Lindsay:** What is the difference between the cost of the envelope and the postcard?

**Mr. G. R. Clarke:** The postcard costs about 10 per cent. of its face value and the small oblong half anna envelope costs about 6 per cent. of its face value to manufacture and distribute. But this will immediately re-act on the revenue, I cannot say to what extent; because it is a very difficult thing to estimate, but it is our experience in the Post Office that, whatever you make your initial rate of postage, the community adapts itself to that initial rate at once. We found that out last year in the case of the 9 pies postage. We had a half-anna rate for half a tola and then a nine-pie rate for one tola. What was the result? The business people, who actually write the mass of letters in this country, at once adapted themselves immediately to the new weights. They reduced the weight of their stationery and, instead of getting 25 lakhs, as we estimated, from the nine-pie postage, we got barely 10 lakhs, and this would have got less and less as time went on. So that Mr. Lindsay's proposal, though it will not interfere with the postcard rate, will throw a considerable burden on us in making the minimum postage half an anna for letters and having those letters sent in a most expensive form, that is, in an envelope which has to be manufactured and distributed by the Department gratis. I would strongly oppose the proposal on these grounds.

I do not think I need say much about the reply postcard which is offered for nine pies. It simply means, I should think, that, this would be very largely taken advantage of by middle men who would buy them up, cut them in two and sell the halves separately to the public. The post office cannot distinguish between the reply half of a postcard and the original half of the postcard when it is posted, and I do not think it a proposal that can be seriously considered. I think it is a pity to have proposals, which, so to speak, tinker with the postal rates which have been proposed by Government. We want a certain definite revenue. The post office has been run at a heavy loss and we want the revenue in order to enable us to pay our way and have a profit. We have very many big developments in front of us in the Post Office, both on the telegraph side and on the postal side, and these developments require money. We have many new telephone exchanges we want to put up and work, and they all require money. We also have a big demand at present for telegraph offices all over the country, I am talking of small telegraph offices which are combined with post offices. There is a waiting list, at present of 300 combined offices. I did hope that next year we should have been able to open 25 per cent. of these. But, Sir, the House has taken 10 lakhs off my working expenses and I do not think I shall be able now to open more than 10 per cent. of these offices. I do not at all appreciate having to ask for this increase in rates. It is the last thing we want to do, but we have got to do it. It is only fair. The post office has worked well and faithfully for years (Hear, hear) and I think you will all admit that our staff requires some consideration. We have got a very big building programme ahead of us which must be undertaken. Every committee which has sat on the Post Office has asked us to provide quarters for the staff. The condition of our workers is not the same as the condition of workers in ordinary offices. Our men have often to go on duty at 6 o'clock in the morning and stay on till late in the night, and it is absolutely necessary that they should be provided with convenient quarters. How are we going to undertake the programme which, I can assure the House, is going to cost more than two crores of rupees, if we have no money and if we cannot show a profit. I am sure, if you take these matters into consideration, that the House will agree to this increase in rates. I have said, Sir, the Post Office has had an honourable past, and I trust that you will not prevent it from having an honourable future.

**Mr. R. A. Spence:** Sir, I do not want to detain the House, but, as a member of a party, the party of European non-officials, I came down to this House prepared to vote for my party amendment, namely, that proposed by Mr. Darcy Lindsay. In view of the arguments that I have heard, although I came down pledged to my party, I have changed my mind. I am going to vote for Government, and I ask the Honourable Member of my party, Mr. Darcy Lindsay, to withdraw his amendment. (Hear, hear.)

**Mr. J. P. Cotelingam** (Madras : Indian Christian) : I should like to ask the Honourable Mr. Clarke as to the financial effect of adopting Mr. Bhargava's suggestion regarding one anna being the charge on a letter exceeding half a tola and not exceeding one tola, and that one anna be the charge for every tola or fraction thereof, exceeding one tola. It will be remembered that the Honourable Mr. Bhargava recommends the abolition of the 9-pie letter weight, and the reduction of the one-anna letter weight from 2½ tolas to one tola.

**Mr. G. R. Clarke:** Sir, it is very difficult indeed to give an estimate in the case of these intermediate increases in postal rates, but the rate proposed by my Honourable friend, Mr. Bhargava, is a very, very expensive rate. A rate that goes up by one anna a tola, that is, two-fifths of an ounce, is a very expensive rate, and it is a very troublesome rate for the post office. It means perpetually weighing all these letters; it means extra trouble, that is, extra staff, and I doubt if it will bring in any very serious increase of revenue. As I pointed out before, very nearly 90 per cent. of postal articles go at the minimum rate, and for the extra 10 per cent. you would find that the commercial community would adapt themselves fairly quickly to this rise in weights. I doubt if we could expect more than Rs. 10 lakhs to Rs. 15 lakhs at the very outside from this proposal.

**Mr. Harchandrai Vishindas** (Sind : Non-Muhammadan Rural) : Sir, I find myself in somewhat the same predicament as my friend Mr. Spence. Although I did not come here pledged to vote for any side—I kept an open mind—still, I have been completely converted by the Government. And in this regard, with your permission, Sir, I shall make a few observations in reply to the arguments that have been urged on the other side in favour of Mr. Darcy Lindsay's proposal. I am very sorry that Mr. Rangachariar, a stalwart of the Democratic Party and one of its leaders, should have lent himself to an observation which was quite inconsistent with democratic principles. He said that we could afford to wait in the carrying out of the postal programme for this year. In view of the fact that it is in the interests of the poor, that it is in the interests of the villager, that this postal programme should be carried out, I am surprised that a very small kind of consideration should have weighed with Mr. Rangachariar and his friends. What was that other consideration? As we have been told, probably 250 millions out of 300 millions do not use the postal service. I think that is perfectly true, and the increase that would be made in the postage is so slight that I am perfectly convinced that it would not act oppressively or harshly upon the poor or the rich. I also think that the suggestion made in the amendment by Mr. Bhargava is impracticable, as was fully pointed out last year. Although, at first sight, it might appear to be in the nature of increasing the revenue of Government, if you go into the details, you find that it is against the interest of the public, because, if you make one tola the maximum, it is taking away that advantage from the public which the maximum of 2½ tolas gives them. (Hear, hear.) Therefore that is against the interests of the public, and that should not be considered at all.

One or two points which have been put forward to-day require consideration. For instance, Mr. Wali Muhammad Hussanally has said that, if you adopt Mr. Darcy Lindsay's proposal, the result will be that the postcard will be entirely discarded, because, if the same amount of money is to be spent upon the postcard as upon the letter, then it is quite obvious, it is *a priori*, that people would prefer the letter. And then, when you adopt that letter, Mr. Lindsay entirely ignored the enormous cost that Government would be put to in manufacturing those envelopes.

**Mr. Darcy Lindsay:** Mr. Geoffrey Clarke told the House just now that there is very little difference in the cost of the envelope and postcard.

**Mr. Harchandrai Vishindas:** But supposing that argument of mine is not correct, the chief argument that is weighing on the minds of Members of this Assembly is that this increased postage will be a very heavy burden upon the poor. I think that is absolutely groundless and unfounded. A man who writes a letter or a postcard writes it with an object. What is that object? Either he has to write on business or he writes news to a friend or relation, and so on. Now, if he writes on business, I daresay he gets a far greater return by writing than the postcard or the letter costs him. On the other hand, if he writes merely for pleasure, then if he cannot pay for a postcard or a letter he need not write at all. As a matter of fact, I think that a man who writes a letter or postcard can very well afford to pay double the rates that are being exacted from him now. Just look at the example of other countries. Mr. Geoffrey Clarke has pointed out to us,

I think very convincingly, that the postage rates in India are the cheapest, whereas the distances over which letters and postcards have to travel are five times as long as in other countries. Considering that and considering that our postal system requires daily growth, daily improvement—as a matter of fact, at present I find in my part of the country that many a village is without a post office and people there have considerable sacrifices to bear, much larger sacrifices than would be involved in the increased postage, and therefore post offices are very urgently needed there; considering all this I think this is an item of the programme which should not be delayed, as has been suggested by Mr. Rangachariar, and we shall be best consulting the interests of the country and the interests of the villager if we agree to these rates. Therefore, I earnestly appeal to all those Honourable Members who are labouring under the impression that we are going to impose a crushing burden on the poor by these increased rates, to dismiss that thought altogether from their minds. As Mr. Subrahmanayam has already pointed out, this increase in the rates that has been suggested by the Government will serve all purposes. It will serve the purpose of the poor in giving them larger pay and it will serve the purpose of Government in helping them to meet their deficit. For all these reasons I earnestly appeal to my Honourable friend not to press this amendment.

**Mr. N. M. Joshi** (Nominated Labour Interests) : I move that the question be now put.

**Sir Vithaldas D. Thackersey** (Bombay Mill-owners' Association : Indian Commerce) : Mr. President, I am in a different position from the one described by my Honourable friends, Mr. Spence and Mr. Harchandrai Vishindas. I came here with the determination to vote for the Government proposal and after I heard the Honourable Sir Malcolm Hailey and the Honourable Member in charge, I am more convinced than ever that the Government proposals must be accepted. So far as the Democratic Party is concerned, it is not a party question at all. Every Member is at liberty to vote as he likes, and I do appeal to my friends to support Government, considering that we have already cut down enormous revenue in the four proposals that we have rejected. Well, I do not know if my Honourable friends agree with me, but I am convinced that we have gone to the extreme limit of our financial capacity, and cannot risk any more cutting down of revenue. That is my candid opinion. Others may agree with me or not, but I am convinced that it is dangerous now for us to cut down any further revenue and thus either put Government to great financial difficulties or drive them to giving the certificate. Sir, in our rejection of taxation we have helped the poor in every way. We rejected the salt duty. We saved them 3 annas per head per year according to the calculations placed before us by Government. We rejected the import duty on piecegoods and helped them to the extent of 4 per cent. or three-quarters of an anna per rupee. We rejected the excise which will also help them. Now, are we putting such a great burden upon the poor, even if you call it a burden, if we increase the rate on postage ? We know that most villagers do not write at all. The largest revenue comes from cities and towns, and I think those who live there and work there can very well afford to pay this little extra charge for communication. After all, the Postal Department has worked with a loss of 90 lakhs, or 160 lakhs if you deduct the profits on Telegraphs. You must run the Postal Department without loss and I strongly appeal to all my friends to support the Government proposal and thus show that so far as this House is concerned it is not unreasonable and does not wish that our commercial Departments should work at a loss. After all, if the Department earns larger revenue it will be able to do greater service. I therefore support the proposal.

**Mr. President :** The question is :

'That in Schedule II to the Bill, under head 'Letters,' for the words—

'Two and a half tolas . . One anna'

the words—

'Half a tola . . . . Half an anna'

be substituted.'

The Assembly then divided as follows :

AYES—17.

| | |
|---|---|
| Agnihotri, Mr. K. B. L. | Mahadeo Prasad, Munshi. |
| Asjad-ul-lah, Maulvi Miyan. | Man Singh, Bhai. |
| Bagde, Mr. K. G. | Neogy, Mr. K. C. |
| Bajpai, Mr. S. P. | Reddi, Mr. M. K. |
| Bhargava, Pandit J. L. | Singh, Babu B. P. |
| Das, Babu B. S. | Sinha, Babu Ambika Prasad. |
| Hussanally, Mr. W. M. | Sohan Lal, Bakshi. |
| Ibrahim Ali Khan, Lieut. Nawab M. | Subzposh, Mr. S. M. Z. A. |
| Iswar Saran, Munshi. | |

NOES—72.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Ahmed Baksh Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Ayyangar, Mr. M. G. M.
Barodawala, Mr. S. K.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Joshi, Mr. N. M.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Manmohandas Ramji, Mr.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Percival, Mr. P. E.
Pyari Lal, Mr.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Sharp, Mr. H.
Sinha, Babu Adit Prasad.
Spence, Mr. R. A.
Subrahmanayam, Mr. C. S.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Yamin Khan, Mr. M.
Zahiruddin Ahmed, Mr.

The motion was negatived.

**Mr. President:** The decision just made by the Assembly disposes, as far as letters are concerned, of amendments 135, 136 and 137. But the same question in substance can still be raised on Mr. Darcy Lindsay's amendment which, as I mentioned before, was not actually put from the Chair; and therefore I propose to take it next, though actually there are two amendments, one in the name of Rai Sahib Lakshmi Narayan Lal and one in Mr. Shahani's name, proposing to restore the existing postage. I think we had better take the proposal of Mr. Darcy Lindsay first.

**Mr. Darcy Lindsay:** Sir, I move:

'In Schedule II to the Bill under the head 'Letters' insert the following entry:

'*Letters in stamp embossed envelopes.*

For a weight not exceeding half a tola . . . Half an anna'.'

I would ask, Sir, in the second clause with your permission to add two or three words 'exceeding half a tola but'—it will read:

'For a weight exceeding half a tola but not exceeding two and a half tolas . . . . . One anna.

For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . . One anna.'

and at the end add the words:

Other letters.'

With these words, I submit my amendment to the House.

**Colonel Sir Sydney Crookshank** (P. W. D. Secretary): Sir, I think I ought to inform Honourable Members, with reference to the first item of this amendment, that I know of no country in the world where the minimum letter rate is at the same rate as the postcard rate. In all cases the letter rate is higher than the postcard rate. I think Honourable Members will perhaps realise that, apart from the considerations which have already been put forward in this connection, it would perhaps not be desirable to make an innovation of this sort, which would probably not be very well received by outside countries.

**Rai D. C. Barua Bahadur** (Assam Valley: Non-Muhammadan): Sir, a case for the Government has in my humble opinion been made out to a great extent. It is quite correct that the charge for postcards and the minimum charge for letters should not be the same. It is at the same time very difficult that the minimum charge should be one anna for a letter even weighing half a tola. Therefore, my humble suggestion is that the minimum postage for a letter should be 9 pies instead of half anna as proposed, and up to half a tola the minimum charge should be 9 pies, and above that up to 2½ tolas the charge should be one anna. That is the best compromise in my humble opinion. So in the result the postcard will stand at half anna,

and the minimum charge for a letter weighing not more than half a tola will be 9 pies and above that up to 2½ tolas one anna and every fraction of 2½ tolas or additional 2½ tolas . . . .

**Mr. N. M. Joshi:** Sir, May I rise to a point of order? I want to know whether the Honourable Member is supporting or opposing the amendment? He has his own proposals.

**Mr. President:** He had better address his remarks to the Honourable Member who is on his feet, and not to me.

**Rai D. C. Barua Bahadur:** That is the only submission I have to make and I hope it will commend itself to this House.

**Raja Mahamad Ikramulla Khan** (West Central Punjab: Muhammadan): I move, Sir, that the question be now put.

**Mr. President:** The question is:

In Schedule II to the Bill under the head 'Letters' insert the following entry:

'*Letters in stamp embossed envelopes.*

| | |
|---|---|
| For a weight not exceeding half a tola . . . | Half an anna. |
| For a weight exceeding half a tola but not exceeding 2½ tolas . . . . . | One anna. |
| For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . . | One anna. |

*Other letters.*'

The motion was negatived.

**Rai Sahib Lakshmi Narayan Lal** (Bihar and Orissa: Nominated Non-Official): Sir, the amendment that I am going to move is:

'That in Schedule II to the Bill, in the Schedule to be inserted in the Indian Post Office Act, 1898, for the entries under heads 'Letters' and 'Postcards' the corresponding entries in the existing first Schedule to the Act be substituted.'

The question of increase in the prices of letter and postcard was before this Assembly last year and the whole matter was sufficiently discussed and both the Chambers decided that the entries in the existing first Schedule to the Act be allowed to continue. As the increase is likely to affect the poor, there is no reason why the House should add to the hardship and inconvenience of the poor. Let us see how the increase is likely to work. A poor man who cannot afford to write a postcard once a week will have to remain content with writing a postcard once in a fortnight, and there shall be no increase in the revenue although the poor men will suffer as has been the sad experience in the past regarding the increase in certain other taxations. Rich persons seldom use postcards, they generally use envelopes, and even those envelopes which are used by them are not those sold by the post office but fashionable envelopes. A middle course is possible by having cards of two sorts, one something like the cards which used to be sold before by the post office for quarter anna and another better card, something like the one sold at present, and similarly two sorts of charges for envelopes—half an anna for envelopes which are sold by the post office and one anna for granite envelopes in which adhesive stamp is used. This will enable the Government to have an increase of revenue without adding to the burden or inconvenience of the poor. But there is no such amendment on the list, and, having regard to what has been said by some Honourable Members on this question, I want the leave of the House to withdraw this amendment.

**Mr. President:** I warned Honourable Members the other day that that is an extremely improper thing to do. It is actually forbidden by the Standing Orders for the very good reason that if an Honourable Member says what he likes in his speech and then withdraws his motion, all other Members including the Government Members would be deprived of the opportunity to reply. If the Honourable Member wishes to withdraw an amendment, he has merely to say that he intends to withdraw and should not make a speech; he has simply to rise on his feet and say, 'I do not move it', or pass it by *sub silentio*.

The question is:

'That in Schedule II to the Bill, in the Schedule to be inserted in the Indian Post Office Act, 1898, for the entries under heads 'Letters' and 'Postcards' the corresponding entries in the existing first Schedule to the Act be substituted.'

The motion was negatived.

**Rao Bahadur T. Rangachariar:** I do not think there is any need to move my amendment, Sir.

**Mr. President:** We have been dealing so far with letters.

**Rao Bahadur T. Rangachariar:** I don't wish to press my amendment about Postcards.

**Mr. President:** The question is that Schedule II stand part of the Bill.

The motion was adopted.

Schedule II was added to the Bill.

**Mr. M. G. Mukundaraja Ayyangar** (Madura and Ramnad *cum* Tinnevelly: Non-Muhammadan Rural): Sir, I beg to move:

'In Part I of Schedule III to the Bill—(*i*. in item A(6), for the words 'one anna and three pies in the rupee' substitute 'one anna and two pies in the rupee'.

(*ii*) in Item A(7), for the words 'one anna and six pies in the rupee' substitute 'one anna and four pies in the rupee' and in item (*iii*) . . . .

**Mr. President:** The Honourable Member had better move one at a time.

**Mr. M. G. Mukundaraja Ayyangar:** Then I beg to move the first portion of the amendment. In doing so, at this stage of the consideration of the Finance Bill, I feel my task will be much more difficult than that of any of the Honourable Members who have up till now spoken in support of any of the previous amendments to the Bill. Almost every one of them pleaded on behalf of the poor, the dumb millions of the country. I also sympathised with the poor and always gave my silent vote in their favour. Sir, the Finance Bill has been characterised as impartial in that it sought to affect the poor as well as the rich. This statement is true only to that extent; if you go deep into it you will see it affects the rich more than their legitimate share. Whatever may be said of the Bill as originally introduced, I am sure every one will agree that it has now lost the impartiality and the rich alone are sought to be affected, permit me to add, Sir, to an extent which more than their legitimate share.

The poor man's grievances you have already redressed, and now it is the turn of the rich man—I wish this proud privilege of pleading for the rich had fallen to the lot of some one of my able colleagues who would do better justice to the cause both by his ability and eloquence than my humble self.

Sir, I feel diffident, very diffident even at the outset to present my case. On the one hand, there is the Government which says it wants Rs. 34 crores to cover up the deficit of the next year and to run the administration of the country; on the other hand, there is the complaint of the rich everywhere that they are already overtaxed – taxed to the breaking point—and therefore they should not be any further taxed. There is yet another point to be taken into consideration, *viz.*, that this House has up till now cut down from the Finance Bill sources of income to the extent of about 10 crores. When I consider all these points, I feel, Sir, that any attempt at further reduction in the Finance Bill and any appeal from me in that direction may not *at the outset* receive that warm and ardent support from this House which the proposals for reduction of other taxes received, especially when to a superficial looker this tax appears to be one the incidence of which falls upon such classes of people who can afford to pay without any difficulty or hardship.

If, in spite of all this, I make bold to stand before you to plead against the proposal to increase this tax, it is because I represent here a constituency, a substantial portion of which would be affected by the proposal to increase this tax to a degree which I hear from them will be unbearable and it is also because I feel there is a real and just complaint against the tax. A complaint which is real and a cause which is just, I have no doubt, are sure to succeed in this House, even if it should be presented by a bad and weak advocate like myself, and that is the only apology for my standing up before you now.

I now go to the substance of my amendment. What is it it asks? It only requires that the existing rates of the income-tax should be retained; that is, there should not be any increase in the rates of income-tax even for incomes over Rs. 30,000.

It will be accepted on all hands that we will not be discharging the duties which we owe to the country if we should be, in any way, parties to anything which would attempt to materially hamper the development of the industries of our country. The effect of the proposed increase will be to kill the desire on the part of the capitalists of the country to enter into industrial and commercial enterprises.

The general opinion among a portion of the people seems to be that nobody can legitimately take exception to this tax because it is said that it is only people who can afford to pay it that are affected by it. It has been said in the floor of this very House, Sir, that this tax is intended

to grab as much money as we can from people who can afford to pay or those from whom it is not inequitable to take money, and that these are the main considerations for this tax. I would only respectfully refer people who hold such a view to what has been recently stated by the Secretary of the Bombay Indian Merchants' Chamber and Bureau. People who hold that opinion do not realise that this is in effect a tax on capital, and any further increase in it would adversely affect the sinews of industry. Capital in this country, as Honourable Members are aware, is very shy and very reluctant to enter into commercial and industrial enterprises, and therefore if you should further increase this tax, you would only be killing the desire on the part of the capitalists to enter into industrial ventures, and you would be hampering the growth of the Indian industries. I know that neither the Government of India nor any of us have any such intention.

It may be said that the proposed rates are to exist only for one year and therefore there is no fear or difficulty. My answer to that argument is this. From the Budget speech of the Honourable the Finance Member it is seen that the deficit of the nature of the current year might continue not only in the coming year but also for some years together. If that is so, is it necessary for me to recall to your mind the misfortune of the people of our country? Here, taxes once imposed or increased are seldom removed, not even after the necessity which brought them into existence passed away. It is very often said, and also truly said, that a revenue, once swollen by fresh or increased taxation into larger proportions, always gives birth to an inclination on the part of the Government to standardise their expenditure in proportion to its new dimensions notwithstanding the fact that this new or increased taxation continues to hit hard upon the tax-payer. Let me illustrate it by referring to the military expenditure. In 1920, Lord Meston fixed the military expenditure at 43 crores. What is the military expenditure this year? What is the military expenditure for the next year?

I do not desire to deal with some of the stringent provisions of the Income-tax Act nor do I wish to refer to the fact that losses in the business of the previous year and bad and irrecoverable debts (which, by the way, I may say, are not at all written off until after a considerable length of time according to the peculiar Nattukkottai Chetty system of accounting) if not written off, are not liable to be deducted from the assessable income under the Act.

My next point is that the present is not an opportune time for this increase in this tax. It may be that the mill-owners of Bombay and Sholapur have got very huge profits, but generally, traders have not within the last 1 or 2 years got as much profit as they would have got under normal conditions. I know the case of the Nattukkottai Chetty community of my district who trade in the Federated Malay States and Ceylon. There has been a great fall in their business because the price of rubber has suddenly gone down to an abonormally low figure. It has not risen up these 12 months. They feel the financial stringency to a very great extent at the present moment. I hold in my hand a telegram which I received some days ago from that community. It shows, Sir, the feeling in the matter when they heard of the proposal of the Honourable the Finance Member to increase this tax. It is stated that this proposed increase is likely to deal a death blow to all trading concerns, that many members of trading concerns are sure to be ruined and their concerns wrecked beyond all means of reparation. They would rather agree to the imposition of a poll tax than agree to this increase. That is their feeling, Sir. The rich man who has to pay this increased tax, it should be remembered, has also to pay the other taxes along with the other tax-payer, which, it will be admitted, will be a good round sum in his case. He has also got to pay the increased taxes on what are called 'luxuries' by the advocates of the poor but which to him are 'necessaries.' He has to pay the new and ever increasing taxes of the Municipalities and of the Local Boards and the old and the new taxes of the Provincial Government—much more than an ordinary tax-payer. Heavy and increasing taxation is everywhere affecting the rich man to a larger, much larger extent than his legitimate proportion. Is there to be no end to this? I say in all humility, but with all the emphasis I can command, that the Government by increasing this tax are only attempting to overburden the already greatly over-burdened class of tax-payers, and if they should persist in this, they will only try to diminish the ability of this tax-payer.

Sir, one word more and I have done. It was said that it was the stringent 'financial necessity' that forced the Government to impose all these taxes. How did this financial necessity come into being? It did not arise because of any programme on the part of the Government of any social, political or economic advancement of the country, but because of the extravagant and erroneous policy—both military and civil—of the Government of India working under the most costly administration which is eating into the very vitals

of the people. The goal of retrenchment and the policy of Indianisation have been absolutely lost sight of from the very beginning. If this fact is borne in mind and if, added to it, Honourable Members will realise that by the proposed increase in the tax, the development of the Indian industries would be hampered, I hope, Sir, they will agree with me that this increase should not be made.

There is one other point, Sir, to which I wish to refer, and I shall very briefly deal with it before I resume my seat. It may be asked, 'You have already cut down income under the Finance Bill to the extent of about 10 crores. If it should be still further cut down, what is the Government to do?'. I shall answer this question by two other questions :

(1) What is the Government going to do for the 10 crores by which the Bill has already been cut down by this House? and

(2) What did the Government think it could do when it consented to a reduction of 141 lakhs under the cotton imports duty of 15 per cent., when to the knowledge of the Government the Finance Bill had been up till then reduced by about 8 crores?

Sir, I do not want to detain the House any longer and I therefore respectfully commend my amendment to the acceptance of the House, to the Honourable Members of the Democratic Party, to the Honourable Members of the National Party and to the Honourable Members of the Independent Party.

**Mr. President:** The question is :

'In Part I of Schedule III to the Bill :

(*i*) in item A (6), for the words 'one anna and three pies in the Rupee' substitute 'one anna and two pies in the Rupee'.'

The motion was negatived.

**Mr. M. G. Mukundaraja Ayyangar:** I move :

'(*ii*) in item A (7), for the words 'one anna and six pies in the Rupee' substitute 'one anna and four pies in the Rupee'.'

The motion was negatived.

**Mr. M. G. Mukundaraja Ayyangar:** I move :

'(*iii*) In item B, for the words 'one anna and six pies in the Rupee' substitute 'one anna and four pies in the Rupee'.'

The motion was negatived.

**Lala Girdhari Lal Agarwala** (Agra Division : Non-Muhammadan Rural) : Sir (*Cries of* 'Withdraw'), the amendment which stands in my name runs as follows :

'In Part II of Schedule III to the Bill, for item 2 (*a*) substitute the following :

'2 (*a*) in the case of every Hindu undivided family :

(*i*) in respect of the first 50,000 of the excess—*Nil* ;

(*ii*) for every rupee of the next 50,000 rupees of such excess—One anna in the rupee.'

In item 2 (*c*) (*i*) for the words 'second fifty thousand rupees' substitute 'next 50,000 rupees'.'

Sir, I could feel that the Honourable Members of this House are considering the fact that the financial position of the Government has already been weakened to the extent of ten crores of rupees. But I must say that the Government will have to make its own arrangements for non-votable items and we are here concerned and we are in duty bound, so to speak, to supply funds only for the votable items. But I do not put that argument forward. So far as members of the joint Hindu family are concerned—there can be no joint Hindu family unless there are at least two members—the Government has already proposed that up to the next Rs. 25,000 there should be no super-tax. My humble proposition is that there should be no super-tax up to another Rs. 50,000, so that in case there is a family of ten members, the super-tax would commence only after one lakh of rupees, and in case there are only two members, there also it would commence after one lakh ; so that the advantage which the joint Hindu family will enjoy will not be more than the advantage that any two or more individual members living separately can enjoy. So, for that reason I move that the first portion of my amendment be accepted.

With reference to the second portion of my amendment, I submit that it is very easy to say that the rich man's pocket should be taxed as heavily as possible. I may assure this House that I am not a rich man at all, but everybody must have a conscience and I submit that the rich man will have to pay the highest tax which is one anna six pies in the rupee and then the highest super-tax which is six annas. This makes up a total of 7½ annas

That is to say, nearly half the profits would go as super-tax and tax to the Government. May I ask whether it is fair that half the earnings of a joint Hindu family or an unregistered firm or an individual should go to the Government and the rest only should be enjoyed by the assessee. The result of that would be, if I may be excused for saying,—suppose in one year there is a gain; then the expenses increase, the marriage time comes and the expenses are incurred on the basis of the income of that year. Suppose in the next year there is a loss, the expenses do not decrease. In the third year there is an application for insolvency, and this would happen in many cases. For this reason I move that the scale be cut down in such a way that the maximum would be only five annas and not six annas.

The motion was negatived.

**Mr. M. G. Mukundaraja Ayyangar:** (*Cries of* 'Withdraw'.) The amendment which stands in my name runs as follows:

'In Part II of Schedule III to the Bill:

(*i*) In item (2) (*c*) (*vi*) for the words 'for every Rupee of the next fifty thousand rupees of such excess' substitute the words 'for every Rupee of the remainder of the excess'.

(*ii*) Omit items (2) (*c*) (*vii*) to (*x*).'

Besides the points I urged some time before in support of my amendment relating to rates of income-tax, I wish to urge one further point in support of this amendment, and that is this. The increase in the income expected by the Government under this progressive increase in the rates of super-tax is only 90 lakhs (*The Honourable Sir Malcolm Hailey*: '85 lakhs'), and I do not think that the Government are going to suffer for the want of these 85 lakhs.

The motion was negatived.

**Mr. President:** The question is that Schedule III stand part of the Bill.

The motion was adopted.

Schedule III was added to the Bill.

**Mr. President:** The question is that clause 1 stand part of the Bill.

**Rao Bahadur T. Rangachariar:** The amendment which I have to move is:

'In clause 1, sub-clause (3), omit the figure '2'.'

The effect of this amendment will be that section 2 of this Bill, which we passed the other day as amended by the thoughtful amendment of Mr. Joshi,—all credit is due to him for his having brought out a regular amendment instead of the ordinary one which we all rushed in with, namely, to omit the clause (*A Voice*: 'with the knowledge of law') with the knowledge of law as my Honourable friend behind me reminds me, all credit is due to him—will be a permanent provision to the effect that the rate of duty on salt shall be Rs. 1-4-0. Now, Mr. Joshi's amendment is a very beneficent amendment for which we may take great credit. Having done that, I ask the Assembly to take the greater credit of not making it merely to be in force for only twelve months. Why keep it in force only for 12 months? Keep it in force for all time, so that the Government may not have the temptation which unfortunately we find them subject to. My Honourable friend, Mr. Innes, succumbed to the temptation and many other Members on the Government Benches have to succumb to the temptation of going and touching the vital points simply because they are pressed by starvation. Let us not leave it there, and I therefore propose that the figure '2' be omitted from sub-clause (3) of clause 1.

**The Honourable Sir Malcolm Hailey:** I am very sorry, Sir, that Mr. Rangachariar should seek to impose, as he says, for all time, a rate of Rs. 1-4-0 per maund of salt on the people of India . . . . .

**Rao Bahadur T. Rangachariar:** I did not say 'for all times', but till the Assembly remove it or amend it.

**The Honourable Sir Malcolm Hailey:** You will remember that, even if it remains in the form that he proposes, any suggestion for reduction will still have to come from the Governor General and cannot come from this Assembly; therefore he has placed it beyond the power of the Governor General to reduce this at any time by notification, and he has not put it in the power of the Assembly to reduce it by its own action. He has gained nothing by his attempt to put everyone, ourselves and the Assembly, by this proposal, into an illogical position.

The motion was negatived.

**Mr. President:** Before we consider this clause any further, it has escaped my notice that we had better consider the new clauses, in case anything is decided in respect of this which may have bearing on the operations of clause 1. This we will do on the Assembly re-assembling at 2-30.

**Sir Montagu Webb:** Sir, I beg to move:

"(*i*) That after clause 6 of the Bill the following clause be inserted, namely:

'7. In sub-section (*3*) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure "1921" the figure "1923" shall be substituted and shall be deemed to have been substituted with effect from the first day of April, 1921.'

(*ii*) That clauses 7 and 8 of the Bill be re-numbered 8 and 9, respectively.'

During the last few days Honourable Members on my left and on my right have worked so effectively that a financial gap of nearly 12 crores of rupees has opened before us, and the further progress of Government is therefore checked until some means can be found of bridging over that gap in some way or the other. The motion for amending the Paper Currency Act, which I am asking the House to accept, will have the effect of giving to Government revenues to the extent of over 4 crores of rupees, wherewith they can meet the overdrafts of the *current* official year, and over three crores of rupees of revenue to take the place of a portion of those revenues which a majority of this House have refused to grant to Government. My objects in putting forward this proposal are two. Firstly, to afford Government the means wherewith to carry on the administration, and secondly—and this is very important - to safeguard the general financial position during the coming year, which in my opinion will be very seriously jeopardised if any effort, such as foreshadowed in the Honourable the Finance Member's opening Budget speech, be made to deflect the Paper Currency to anything like the extent suggested.

Now, transfers between the cash balances and reserves of Government in England and in this country are often a matter of very great mystery to the public. Indeed so mysterious that I am not surprised that some people refer to them as 'manipulations' of doubtful propriety, or that others sometimes hint that a proposal such as that I am now making to you implies a queer financial outlook almost verging on moral obliquity. For the sake of my own financial reputation, therefore, and perhaps also for that of the Honourable Member opposite to me the Finance Member—who may conceivably find my proposal acceptable, it may be just as well if I explain the exact meaning and significance of the motion which I have put before the House.

First of all, I would ask the House to recall some of the Honourable Finance Member's words when first introducing this Budget. He told us that during the four years ending on the 31st of this month our expenditure had exceeded our income by 90 crores of rupees. This deficit has been met in part by watering the currency, that is by putting in I. O. U.'s to the extent of almost ten crores a year. Now, I have frequently explained that these continuous inflations of the Paper Currency (which has increased from about 70 crores before the war to over 170 crores now) have had the effect of inflating prices. It stands to reason that, if the volume of money in the hands of the public is enormously increased, the purchasing power of the public is also enormously increased, and the value or purchasing power of money diminishes. As every Member of this House knows, prices have risen by more than twice of those of pre-war days. And here we have one of the root causes of all our difficulties, one of the causes which explains why the expenditure of Government always appears to be going up, and why our deficits grow each year greater and greater.

Now that Government and this House have once more rejected the possibility of obtaining a substantial revenue and also of steadying exchange by means of an import duty on silver,—a rejection that I may say, in my opinion, is in the nature of a step in the direction of financial suicide (for this reason, that an import duty on silver without a bounty on export would keep the rupee from sinking as low as it can otherwise fall, whilst an import duty with a bounty would prevent a rupee from rising too severely), as things are at present, I see at this moment nothing to prevent the sterling value of the rupee sinking to the neighbourhood of its sterling equivalent as mere metal. If this calamity occur—and I must say that both in this respect and with regard to the exchange fiasco of the last two years Government have been fairly forewarned,—then the Finance Member will find his next Budget burdened by still yet another 10 crores deficit—loss in exchange, etc. Therefore I urge that it is of the very greatest importance that we should now find means for bridging the financial chasm which has opened and which may very well open still further before us.

I mentioned just now that our paper currency has already been expanded by I. O. U. issues during the last four years of nearly 37 crores of rupees.

Government, when compelled to make these issues, fully recognised the drawbacks and the dangers of this makeshift type of finance, and the Honourable the Finance Member himself in September, 1920, went so far as to introduce a special clause into the Paper Currency Act providing that the interest on the paper currency securities should be applied not to revenue but to the deflation of the paper currency, that is to the repayment of Government's I. O. U.'s against which paper currency had been issued at moments of emergency.

The Honourable the Finance Member went even further. He promised that, when the Gold Standard Reserve amounted to over 40 millions sterling he would utilise the interest from the Gold Standard Reserve securities also to repay his I. O. U's and so destroy some further portion of this mass of paper currency which has inflated prices. So, it will be seen that Government have fully recognised the desirability of deflating the currency as expeditiously as possible. And, if the total deflations contemplated were no more than those provided for by the Paper Currency Act, I myself should hesitate to venture to suggest any deviation from the spirit of the Act to this House. But there is another problem—an altogether different problem—involved. If Honourable Member will turn to another portion of the Honourable the Finance Member's speech when introducing his Budget a few weeks ago, they will find that there is the problem of putting the Secretary of State in funds in England. Now, it is estimated that taking into consideration the amount which the Secretary of State will have to pay for the purchase of railway and other materials this year, and including the Home Charges, the Secretary of State will have to pay out over 52 millions sterling. Out of that 52 millions sterling it is not anticipated that the Secretary of State can hope to borrow more than about 17 millions sterling. So that, in the ordinary course of events, he would have to draw upon India, that is, sell Council Bills for the great bulk of the balance; he may make some recoveries from the Home Government - money due to India - to credit the account. Now, there is no possibility in present circumstances of his being able to draw on India for an enormous sum, so that he will have to make use of such Reserves belonging to the Government of India as he has at hand. Now, if Honourable Members will look at the Paper Currency Statement last published, they will see that about 4 millions sterling worth of securities are now being held in London; and, if they will look at the last published Return of the Gold Standard Reserve, they will see that over 40 millions sterling worth of securities are now lying in London. So that there *is* a way by which the Secretary of State can put himself in funds. He can sell a portion of these securities, and utilise the money for buying the railway material, and so forth, that we require. But, if that is done, it becomes necessary for the Government of India to earmark an equivalent amount—take it from their current revenues and put it into the Gold Standard Reserve or into the Paper Currency Reserve on this side. Now, what will happen? At the present moment there are about 24 crores worth of gold in the Paper Currency Reserve in this country. Now, if that gold be taken out as the result of the Secretary of State selling securities on the other side, if that gold be taken out of the Paper Currency Reserve and put into the Gold Standard Reserve here in India in place of securities which the Secretary of State may have to sell in London, then, under the Paper Currency Act, the Government of India must cancel an equivalent amount of notes. So, here you see how a restriction, or deflation of our Paper Currency will come about to the extent that the Secretary of State utilises funds on the other side. In the Honourable the Finance Member's opening Budget speech this deflation altogether was estimated to come to 33 crores of rupees. Now, the whole of our Paper Currency totals about 170 crores, and I ask this House, does anybody suppose that it would be possible out of a total Paper Currency of 170 crores to cancel 33 crores? Of course a deflation to that extent is quite impracticable. It would produce so serious a financial crisis as to bring all commerce and trade to a standstill.

I should here like to say a word or two about deflation. When Governments find that the amount of paper currency which they have put into circulation is so large as to produce a great advance in prices and create economic and commercial trouble, and produce social and political unrest (such as strikes and so forth, owing to the prices constantly rising), then they begin to turn their attention seriously to the problem of deflation. During the last few years every country has dangerously inflated its currency,—America, England, France, Italy, Germany, Austria, etc.—all through the war, and those countries have been studying how they can best deflate their currencies. America, being a very business-like nation, was perhaps the first to take the matter seriously in hand. There are two things you can do. You can raise the Bank rate, thereby making money very dear, thus checking speculation and over-trading,

and you can collect extra taxation and with the proceeds cancel some of the excessive paper money in circulation. Both those ways have been tried and without going into a lengthy history of what has happened in every country, I should like to give this House a couple of extracts from Professor Cassel's important Memorandum which was laid before the Financial Section of the League of Nations last September. Professor Cassel—one of the first economic authorities in the world—points out that a too sudden deflation of the currency must produce a rapid lowering of prices that may result in chaos. It will benumb all commercial enterprise, it will check industrial activity, it will depress commercial efforts and it will lessen the volume of production. Professor Cassel's own words are:

'The prospect of a long period of falling prices is most likely to kill industrial enterprise and the very spirit of economic progress.'

Now, in the case of America, this is what has happened according to Professor Cassel:

'The effects of a too sudden deflation in the case of the United States have been rather pernicious. The steady reduction of prices has made it impossible in a great many cases to pay back money borrowed at a time when prices were higher. Thus, a large amount of what is called frozen credit has been created. The liquidity and even the ultimate solvency of smaller banks have thereby been impaired. Further restrictions of credit have followed with the result that prices have been forced down still more and fresh amounts of frozen credit have been created The process of deflation has evidently in this case led to a vicious circle from which it seems extremely difficult to escape.'

(*A Voice*: 'What publication is that?') This is the Memorandum placed by Professor Cassel before the Financial Section of the League of Nations last September. (*A Voice*: 'Page?') I will afterwards give the Honourable Member all details. Further, I should like to remind the House that the fall in prices during the last year has been very great,—Professor Cassel describes it as:

'Perhaps more violent than any other in the economic history of the world.'

His conclusion is as follows:

'The world's work has been brought to a standstill to a degree that we have never witnessed before. Unemployment has risen to alarming figures, *particularly in countries where the policy of deflation has been applied most severely.*'

I think that is quite enough for me to put forward to emphasize and prove my point that a deflation of the Indian currency next year by anything like 33 crores is unthinkable.

Now, I hope the House can understand the exact points of my motion. Whilst you cannot deflate the Indian currency by 33 crores in one year, there is, of course, no reason why Government should not attempt to deflate it to a moderate degree and, this they will have to do in order to give the Secretary of State all the money that he requires for Home charges and Railway purchases, etc; therefore, it is not necessary by legislation to force Government to utilise a further three or four crores per annum for that purpose. There is a very large margin of deflation which must take place in any case quite apart from this statutory deflation. Therefore, I urge upon this House the amendment of the Paper Currency Act so as to permit of this 6 or 7 crores, which is only a small part of the coming deflation, to be otherwise utilised, and with the further object which I have in mind of providing Government with some small amount of revenue—over four crores in the year now closing, and perhaps 3 to 4 crores next year—to take the place of a portion of that revenue which has been hacked out of the Honourable Member's Budget by the axes of the Democratics and the National Parties.

And, in conclusion, I would appeal to the Honourable the Finance Member to reconsider his promise to utilise the interest on the Gold Standard Reserve Securities for the purpose of cancelling Paper Currency. I would ask him to reconsider that promise and to think whether the exigencies of the present situation would not permit him to utilise that interest also as well as the interest on the Paper Currency securities as revenue during this and the forthcoming year. I commend my motion to the House. (Hear, hear.)

May I have your permission, Sir, to add that my proposal receives the unqualified support of the Bombay Chamber of Commerce and also of the Karachi Chamber of Commerce. I have received telegrams to that effect. The latter Chamber would have much preferred to obtain further revenue by a stiff import duty on silver, but in the absence of that, they will accept this proposal.

**Mr. J. N. Mukherjee** (Calcutta Suburbs: Non-Muhammadan Urban): May I ask the Honourable Member from Bombay whether he has received a representation over the signature of Mr. Thakurdas, also an appendix to it,

which criticises the proposal of the Honourable Sir Malcolm Hailey contained in his Budget speech as to deflation of currency and as to what he proposes to do in the matter, although he has worded his proposal in very cautious terms? On the Bombay side, I believe, people represented by the gentleman I have named find fault with him. May I take it that Bombay opinion is not unanimous on the subject?

**Mr. Manmohandas Ramji** (The Indian Merchants' Chamber and Bureau Indian Commerce) : Sir, I rise to support the motion brought forward by my friend from Karachi. The Indian Merchants' Chamber also favours this idea. Although it means certain facilities, it is intended to avoid certain disastrous effects on the financial position of the country. Therefore, the Indian merchants also support this view, and I have great pleasure in supporting this proposition.

**The Honourable Sir Malcolm Hailey:** Sir Montagu Webb in putting this proposal forward is able to quote the support of speakers in this Assembly during the past month, and his motion has also commended itself to many thinkers outside the House. I do not know whether the House would desire that I should this afternoon make any very wide survey of the question which is of a somewhat technical nature, or whether I should go at all deeply into the previous history of the case. But it is a matter of so much importance to us, and one in which our action is likely to be the subject of comment in the outside world; I think therefore it would be well if I stated clearly our own standpoint in the matter. I do not wish to go here into the theory which should regulate the constitution of a Paper Currency Reserve. It will, I think, be sufficient if I say that putting the matter only on the most practical grounds, it is necessary that our Indian Paper Currency Reserve should be so constituted, firstly, that we may at all times be able to supply freely the necessary metal to cash our own notes; secondly, that we may always have a sufficient supply of that metal to meet the demands of the country for moving its great grain crops and the like; and I will add a third requirement, namely, that apart from any question of the strength of the metal reserve and the precautions which are necessary to secure its adequancy, we should at all times avoid issuing notes against unbacked securities to such an extent as may have that undesirable result to which Sir Montagu Webb pointed, namely, the inflation of prices. I put this forward not as a complete statement of the case but merely as emphasising its essentials.

Now, before the war we had a note issue of about 65½ crores of rupees, and we have obtained from the Legislature permission to hold 14 crores of rupees as security against that issue. During the war the previous arrangements in regard to our Paper Currency Reserve could not be maintained; we had to make very large issues of notes to finance purchases made on behalf of the Home Government, and were unable to obtain the metal necessary to maintain the old ratio. By a series of temporary Acts we obtained authority from the Legislature to issue notes against securities to an amount finally totalling 120 crores. Very naturally when the war ended we found, as Sir Montagu Webb has said, that that position was an unsound one, and we took the first occasion possible to put our paper currency legislation on a proper basis. My retrospect has shown that under the old arrangement we used to come to the Legislature from time to time to obtain authority to issue notes, against a definite amount of securities. That did not directly bind us to keep any definite proportion of metal against our note issue; that at all events was the case when the amount of securities grew so large as was the case at the end of the war. When the time came to consider putting our paper currency legislation on a proper basis, we suggested to the Legislature a different procedure, namely, that we should aim at holding as a permanent arrangement 50 per cent. of metal in our reserve. The rest of the issue was of course to be backed by securities. The best securities you can get for that purpose are naturally securities held in England on short terms, because you can immediately convert those into metal. Securities of this class, therefore, were to be unlimited, and we were to hold only some 20 crores of securities in India, of which only 12 would be self-created securities. Those were to be our permanent arrangements, and the Legislature accepted our proposals. But in the condition in which we found ourselves in 1920, we could not hope to attain at once to arrangements so ideal. We held indeed at the time a sufficient amount of metal to give us very nearly 50 per cent. backing to our note issues: it was our securities which were wrongly constituted. We had about 82 crores worth of securities, but of these 67 were Indian securities and 59 were self-created securities. It was clear to us at the time that it would be many years before we could work up to that proportion of securities (as between English and Indian) which we looked forward to realising under our permanent arrange-

ments. We had, therefore, to consider the machinery by which we should work to this figure; the method has been described by Sir Montagu Webb, namely, we undertook to utilise the whole of the interest on our securities for the purpose of cancelling unbacked notes. That would mean at the same time the cancellation of self-created securities. The appropriation of interest would be a charge on revenue. I do not refer for the minute to the other steps which we undertook to carry out because they are not strictly germane to the motion which Sir Montagu Webb has placed before the House. That then was what we set ourselves to do, and we embodied the undertaking in what may be described as the 'temporary' section of our Paper Currency Act (section 13). I think that every one agreed at the time that this was a healthy and a sound piece of legislation. I am not going so far as to say that we would ourselves subscribe to the impression which I think the House may have gathered from Sir Montagu Webb's opening remarks, that we had dangerously inflated our currency. It is true that we had a large amount of unbacked note-issue; I am not prepared to admit that that amounted to a dangerous inflation. The extent of the harm done by the creation of money by operation of this nature depends of course not only on the quantity of money created but on the velocity of its circulation: and it is not to my mind legitimate to take a strictly European analogy here, for the velocity of circulation in India is far less than that which obtains in Europe. But the best proof is perhaps a practical one; we have more than once set ourselves to deflate the note-issue and have experienced at times the greatest difficulty in doing so; it has been very difficult to take money off the market without inducing undue stringency; and that at all events would seem to indicate that the money market does not really suffer from any serious inflation as the result of action taken by us. That, however, is only said in passing. The fact remains that we had definitely set ourselves gradually to deflate our currency by cancelling unbacked notes by the methods which I have described to the House. But though at the time this seemed not only a proper but a possible course, although that course, I think, won us a great deal of credit in Europe where at the time deflationist views were altogether in the ascendant, yet our policy has proved difficult to carry out in practice. Had we been in the fortunate position of working to a revenue surplus, there would have been no insuperable difficulty. As it is, working as we are to a deficit, it will be clear to the House that we are not really, if we carry out the Statute, appropriating from revenue for the cancellation of our surplus note-issue; we are really only borrowing money on Treasury Bills for the purpose, and the process is therefore to a certain extent illusory. That, Sir, is the case, and even when we were preparing the Budget that aspect of the question was of course present to our minds. I think the House will understand, however, that Government rightly felt some scruples at initiating a proposal of this nature itself. We had bound ourselves by Statute and of our own motion to get our currency arrangements on a permanent basis by the measures which I have described. Further, if Government itself had initiated such a proposal, its attitude might have been regarded in the money markets, not only of India but outside, with something of suspicion. We have, however, now had evidence that in India at all events the great bulk of monied men do not seem to regard the proposal as a dangerous one. As for Europe, it is too early perhaps to say what will be the effect if we take such action. But we may perhaps hope that financiers in Europe will look rather at the general condition of our Paper Currency Reserve than at the fact that we are temporarily suspending the provisions of the Paper Currency Act. They will, I hope, be attracted rather to the fact that our metal backing is no less than 59 per cent. even if our gold is assessed on the two-shilling basis; if it were assessed on market prices to-day, the backing would amount to about 66 per cent. There is reason to hope, therefore, that if this step is taken it will not be viewed askance by the money markets in Europe. The attitude of those markets is of primary importance to us; we have to raise large sterling loans, and the rate of interest which we have to pay on those loans has an important influence on our revenue position. There is a further fact, Sir; I need not refer to it at length because Sir Montagu Webb has already dealt with it. As I pointed out on March 1st, and as he has further explained to-day, we have to carry out a considerable quantity of deflation, in any case this year, in order to keep the Secretary of State in funds; we shall deflate at our own time and I hope at the time most suitable to the market for that purpose; and there is in any case therefore no very strong ground for deflating under the conditions laid down by the Statute. For this reason, therefore, Sir, considering that the step has received the support of financial authorities here and that in any case we are bound to carry out a certain amount of deflation to keep the Secretary of State in funds, I think that we may be well advised to accept this motion. Its exact effect will be to give us in the coming year not 4 crores as Sir Montagu Webb said, but 303 lakhs. In referring to 400 lakhs, he was, I

think, quoting the amount by which the deficit of the current year will be reduced.

One final point. Sir Montagu Webb has asked us to reconsider the attitude which we adopted a few days ago on the subject of the Gold Standard Reserve. Sir, I did not dwell at any great length on the matter then, because it did not strictly arise on any motion before the House; it does not strictly arise here to-day, for it lies of course outside the purview of this particular motion. I find it difficult, however, to modify the attitude which I took up then. No doubt there are other Members of the House who will add their own arguments to those used by Sir Montagu Webb and attempt to hearten us towards taking a step which we should regard with some suspicion and with a certain amount of dislike. If they can do so, Sir, we shall be perfectly willing to hear them, but I cannot at this stage say whether we should be perfectly willing to comply with their desires.

**Rao Bahadur T. Rangachariar:** What will be the financial effect if that proposal is accepted?

**The Honourable Sir Malcolm Hailey:** Is it the proposal of taking interest from the Gold Standard Reserve?

**Rao Bahadur T. Rangachariar:** Yes, Sir.

**The Honourable Sir Malcolm Hailey:** That act of spoliation would give us 3 crores.

**Sir Deva Prasad Sarvadhikary** (Calcutta: Non-Muhammadan Urban): Sir, I desire to give this motion every support, and my work in this connection started under unfavourable auspices at a very early stage is rendered easy by the reasonable, if not absolutely modified attitude of the Honourable the Finance Member. I happened to bring this question before the Assembly and the Honourable the Finance Member some time ago. Legal difficulties in connection with the working expenses of the manufacture of notes, which I submitted should be deducted from profit under the existing Act, were pointed out which did weigh with us I am very glad that a bold step has been taken by Sir Montagu Webb to meet the situation and to have the law amended in the exigencies of the case.

My Honourable friend, Mr. Mukherjee, referred to some divided opinion in Bombay. When was there a time, Sir, when on a money question that Bombay was not divided from different points of view. (*A voice*: 'It is not divided.') I am glad to hear this assurance from Bombay Members. Mr. Mukherjee referred to a representation from same quarters indicating such a difference of view, but that ought not to weigh with us. Such a representation has its value only as indicating the other point of view. I think, Sir, the attitude which has been taken up by the Honourable Sir Malcolm Hailey is the right one for Government to take. The Government has put forward and given effect to what they consider to be the right and sound position to take, particularly from the point of view of the outside financial world with which we have and must have so much to do. I do not propose to put it any higher for the present. If we are obliged to ask the Government to revise their policy, that ought to count as a vote of confidence, if one was necessary, in their policy. We request them to revise the policy affecting a period not later than 1923. One cannot anticipate what will happen in 1923, but we hope we shall be able to tide over difficulties. Till then this appropriation is needed and should be sanctioned. With regard to the windfall that Sir Montagu Webb hopes for, I would remind him that there are the working expenses of the currency notes operation which I submitted and do submit ought to come out of the profits though the deliberate use of the word 'interest' in the Act interfered with the acceptance of my proposal. That is where we really started the debate and those costs ought to be allowed for, due allowance will have to be made for that in the first instance, and then the residue will come to the revenue proper, which is about all that we can expect.

**Sir Vithaldas Thackersey:** Sir, Now that the proposition of my Honourable friend, Sir Montagu Webb, has been accepted by the Honourable the Finance Member, I have very little to say with regard to that part of the amendment which provides for the temporary carrying of the interest on the investment securities to revenue. But, Sir, there is one point on which the Honourable Sir Malcolm Hailey still insists. He has informed us that Government, in spite of our repeated requests and arguments, are not yet convinced about the utilisation of the 3 crores of rupees from the Gold Standard Reserve in excess of 40 million pounds. We were told the other day that all the various Chambers of Commerce

and commercial communities were combined in protesting against Government utilising the Gold Standard Reserve for any other purpose than the one for which it was intended. But, Sir, what was the position then, and what is the position now? At that time the Gold Standard Reserve was intended to be utilised for the purpose of steadying our Exchange. Now we have got our 40 million pounds in the Reserve. We are not utilising a single farthing from it for the purpose for which it was meant to be utilised. I do not say that Government are wrong in not utilising that amount, because even if they utilised the whole of the 40 million pounds, they will still not be able to steady the Exchange. But what we maintain is this. Government declared their policy that any amount in excess of 40 million pounds would be credited to Paper Currency Reserve when they revalued their gold at Rs. 10 a pound. The gold itself is valued at more than Rs. 15 a pound. Therefore, you do not require to take these crores of rupees to the Paper Currency Reserve. You do not immediately require this amount in the Gold Standard Reserve, because you are not utilising the Gold Standard Reserve for the purpose for which it was intended, and therefore I think it would be perfectly justifiable as a temporary measure to utilise it for revenue purposes. When we have the Currency problems put on a sound footing, and when the Gold Standard Reserve is to be utilised for the purpose for which it was intended, I daresay the question will be decided then on its own merits.

**Rao Bahadur T. Rangachariar:** Sir, both my Honourable friends, Sir Montagu Webb and Sir Vithaldas Thackersey, have approached this question from the point of view of merchants, from the point of view perhaps of practical men, and from the point of view of financiers. I propose to approach this question from the point of view of a politician, who has got some aim in view and who wants to accomplish that aim. The object with which the Democratic Party started discussing this Budget was to bring pressure upon Government to reduce their military expenditure and their extravagance in other departments. How do we stand to-day after our efforts? We began, Sir, with a deficit of 2·71 according to the Government Budget, and by cutting down the taxation proposals to 9·56, we increased the deficit by 12·27. Having done that we cut down the Demands by a sum of 95 lakhs, and, therefore, we reduced the deficit to 11·32. Now, Sir, what is the object of this proposal? This proposal has a two-sided move. One is to transfer the interest on the Paper Currency Reserve, and the other to encourage—I forget the epithet used by the Honourable the Finance Member—(*A voice*: 'spoliation') the 'spoliation,' I believe that was the term used, of the 3 crores from the Gold Standard Reserve, which means reducing the deficit to 5·29. I say it is quite opposed—with due respect to my Honourable friend, Sir Vithaldas Tkackersey, behind me—it is quite opposed to the principle with which we began our Budget operations. Sir, I do not want to hide my thoughts. I never do. That is our object. We think that this country cannot bear the financial burden due to this military extravagance. We want at once and now and for ever that the matter should be investigated completely and this burden should be removed, so that Lord Meston's figure of at least 43 crores should be reached. But this process of making a present in this dubious fashion of unsettling the deliberate legislative Act of only 18 months or two years ago, to do a thing which, according to the Honourable the Finance Member, is a matter of grave doubt and suspicion, to encourage the Government to do an act of spoliation so that they may say afterwards, 'Look at it. We have balanced our Budget', that is not the way in which we want to balance the Budget. We want to have the Budget balanced by reducing the expenditure, so that it may compare favourably with the revenue, not by increasing the revenue so that it may compare favourably with the expenditure. Therefore, Sir, having regard to the declared object of my party, I am sorry I have to oppose my Honourable friend's motion, though I am sorry to say that I am not able to oppose it on its merits. But on this solid ground I oppose it.

**Mr. J. N. Mukherjee:** Sir, I feel very grateful to Sir Montagu Webb for having raised this question, because I myself was trying to solve it in the way he has suggested. I thought until very recently that the proposal placed before the House by Sir Montagu Webb afforded temporary solution, but having met with different currents of opinion from different sides, I am inclined to think that the position of caution taken up by Sir Malcolm Hailey is the right one. This question has come in as a sort of side issue. We are going to amend an existing statute, namely the Paper Currency Act, and the amendment has been sprung not only upon the Assembly but upon the country at large without adequate warning. We have had no opinion upon this point from the different parts of the country which might enable this Assembly and

the Honourable the Finance Member to come to a satisfactory decision. Therefore, I support rather the Government view of the matter, if I understand it correctly, namely, proceeding with caution in a matter like this regardless of the political aspect of the question, which has been placed before us by my friend, Rao Bahadur Rangachariar. If we had the opinion of the country before us we would be able to solve it in a way which would be satisfactory, and we would then know with certainty whether the remedy suggested would on the whole go to benefit our finances. Therefore, Sir, I submit it will be rather too hasty an act on the part of the House to go into a matter of such great importance without adequate consideration. This question need not be decided in a hurry. I, therefore, support the Government Benches on this point, if I rightly understand their attitude in this matter, namely, of cautious procedure.

**Munshi Iswar Saran** (Cities of the United Provinces : Non-Muhammadan, Urban) : Sir, it is very refreshing that my friend, Mr. Rangachariar, says that he will stick to principles and speaks against the practical men who have supported Sir Montagu Webb. It was only yesterday that he talked as a practical man himself and brushed aside and poured ridicule on all considerations of principle, but I am very glad that he has seen the error of his position yesterday and has come back to the right path. I congratulate him and the Democratic Party on his return to sanity, to political rectitude, and to high principles. For the reasons which he has given, I shall also have the pleasure of going into the lobby with him.

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly : Non-Muhammadan, Rural) : Sir, I have great pleasure in supporting the motion which has been moved by my Honourable friend, Sir Montagu Webb. Upon the question of the reduction of expenditure, upon the question of the avoidance of taxation as much as possible, I do not think that there is any difference of opinion in this House. We are all equally keen about retrenchment of expenditure, civil and military. We are all equally anxious to reduce the burden of taxation that may have to be imposed upon the people in consequence of the financial necessities of the Government. In so far as the latter object of reducing the burden of taxation is concerned, I think we have succeeded in our endeavours to a very considerable extent. We have cut down the taxation proposals of the Government by a sum of about Rs. 9½ crores, and we have also expressed our desire to the Government that they should go about the task of retrenchment not in a leisurely spirit but in right earnest at as early an opportunity as possible, and the Government have expressed their willingness to proceed about that task as quickly as they can. Now, Sir, my Honourable friend, Mr. Rangachariar, expressed his dislike of this motion on the ground that it may give the Government more money, more resources, to play with, and that it may to some extent reduce the pressure which is intended to be applied to them to bring about the object of retrenchment. Sir, my friend, Mr. Rangachariar, claims to be a practical politician. In my own humble way I claim also to be a practical man, if not a practical politician. While I think that expenditure ought to be reduced, I do not know whether, as practical men, we should be justified in considering it possible for the Government straightaway to effect retrenchment to-morrow. We have all pointed out various directions in which retrenchment may be made. Are we justified in saying that the Government should at once carry out our various suggestions and proposals to-morrow without an examination of the merits of those proposals, without an examination of the justice or injustice that may be involved in carrying out those proposals and without examining the question how far the efficiency of the services may or may not be impaired ? While I desire retrenchment as keenly as any Member of this House, I do not desire that retrenchment should be carried out recklessly and inconsiderately, without an examination of the merits of the case by a body of competent experts. That has been the motive animating me and, if I may say so, animating the members of my party. We wish Government to take up this task at once, and they have announced their intention of appointing a strong and authoritative Retrenchment Committee. I hope they will be able to get hold of some at least of those eminent gentlemen who have distinguished themselves by proposing retrenchments of a drastic character in the expenditure of the Home Government, and I hope they will also succeed in getting experts who will command the confidence of this country and of all shades of opinion. Recognising, therefore, as I do, that it will not be practical politics to insist upon a reduction to-morrow, or the day after, of expenditure in all the directions we have indicated, satisfied as we are that we have to a very considerable extent reduced the burden of taxation, I do not think we shall be justified in proceeding further and leaving the Government to welter in bankruptcy.

We feel that His Majesty's Government must be carried on, to use a familiar phrase, and we think that the amount of the uncovered deficit which should be left by way of applying the stimulus to the Government to set about retrenchment need not necessarily be the whole amount of this 9½ crores but that it is sufficient to leave a smaller amount, and we feel that we can safely place reliance on the repeated assurances of the Honourable the Finance Minister and upon his *bona fides*. With these words I support the motion of my Honourable friend, Sir Montagu Webb.

**Dr. H. S. Gour:** I rise to a point of order. I wish to draw your attention to certain rules in the Standing Orders at page 22. Honourable Members will see that the original Finance Bill, as introduced by the Government, did not contemplate any amendment of the Indian Paper Currency Act. That is the first fact which we should not lose sight of. The second fact is that this motion of my friend, Sir Montagu Webb, is a motion for the amendment not of the Finance Bill but of an independent Act, the Indian Paper Currency Act. It is, therefore, in the nature of a Bill to amend a substantive existing Act of the Indian Legislature. An amendment introduced by a private Member is not in order under rule 64, sub-clause 4, at page 22. I may point out, Sir, that I have been myself a victim of this rule, and, therefore, it has been brought vividly to my mind. When I drafted and sent to the Legislative Department the Hindu Coparceners' Liability Bill, which is down for further progress to-day, the Governor General in Council had sanctioned the introduction of that Bill for a certain date, and the Government were pleased to allot to me a portion of a day within thirty days for its introduction. You, Sir, ruled that it could not be done and that the rule was rigid and could not be altered. The result was that I had to defer the introduction of the Bill till the month's notice had expired Now, I apply that principle to my friend's Bill to-day. It cannot come up as an amendment to the Finance Bill. It is not an amendment to the Finance Bill. Is it an amending Bill intended to amend the Indian Paper Currency Act? As such, my friend should have given thirty days notice, and, as that cannot be dispensed with or waived, my Honourable friend's Resolution is out of order. I say nothing on the merits of the case.

**Mr. President:** The Honourable Member wishes to raise a point of order that it is out of order now. He suggests that it is, in the first place, out of order because it is an amendment of the Paper Currency Act.

**Dr. H. S. Gour:** It amounts to a new Bill.

**Mr. President:** Clauses 2, 3, 4, 5, 6, 7 and 8 of this Bill, all follow exactly the same procedure. They are all amendments to existing Acts. This Bill will be known by a short title, namely, the Finance Act. If we carry the new clause standing in the name of Sir Montagu Webb, we should only have to amend the title of the Bill, a proceeding which is within the power of this House.

**Dr. H. S. Gour:** I beg most respectfully to submit that if Sir Montagu Webb or myself wanted to amend a section or chapter of the Indian Penal Code and said, after clause 7 of the Finance Bill, repeal Chapter 33 of the Code of Criminal Procedure, or Chapter 17 of the Indian Penal Code, I should be ruled utterly out of order, and I submit that Sir Montagu Webb stands on no higher ground. The Government were entitled in the Finance Bill to amend any of the Acts not inconsistent with their Preamble.

**Mr. President:** The Honourable Member is suggesting that Sir Montagu Webb has introduced a Bill. He has done nothing of the kind.

**Dr. H. S. Gour:** I think I am perfectly conscious of that fact and I said so. I said that Sir Montagu Webb is either introducing an amendment to the Finance Bill which he cannot do, or that, if it be regarded as an amending Bill, that too is equally impossible. I put Sir Montagu Webb on the horns of a terrible dilemma. He cannot escape it. If it is an amendment, it is out of order, because the amendment can only be to the Finance Bill, and the Finance Bill does not refer to the Indian Paper Currency Act. Consequently, there cannot be any amendment to the Finance Bill which purports to amend the Indian Paper Currency Act. That is my answer to the first point. I took a somewhat liberal view of Sir Montagu Webb's motion and said that, even supposing for the sake of argument that it might be considered as an independent Bill, in that case thirty days' notice was required and, therefore, it was out of order. I give my Honourable friend the choice of the two evils. If he wishes to move it as an amendment, it is out of order. If he wishes to move it as a Bill, it is equally out of order. He cannot bring himself within the purview of the Standing Orders and the rules, either by calling it an amendment or by calling it an amending Bill. In

either case he is out of order. As regards the point that the Finance Bill mentions certain Acts and seeks to amend them, well, the Government can introduce without notice any amendments to any existing law, not inconsistent with their main purpose. The limitation is not a limitation placed upon the power of the Government. The limitation is placed upon the power of a private Member. Sir, it is perfectly obvious that an amendment cannot extend or enlarge the scope of the Bill by introducing therein foreign matter which is not germane to the primary and sole purpose of the Bill. I have already given an illustration and that illustration, I submit, is exactly apposite. I could not by a motion for an amendment of the Finance Bill introduce therein any provision for the amendment of an Act which is not mentioned therein and which that Bill does not purport to amend.

I therefore submit that my friend's motion is out of order.

**Rao Bahadur T. Rangachariar:** I want to add a word more. My Honourable friend, Dr. Gour, calls this a Finance Bill. All that I know is that it is 'A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax'. So that it has got specific objects which it mentions. It does not say 'to improve the finances of the country', but it is confined to certain specific Acts, and this is not one of the Acts mentioned.

**The Honourable Sir Malcolm Hailey:** We have just heard here, from one who claims to speak with authority on the subject, that Government can move an amendment at any time to any Bill before this Assembly. So, Sir, as you have previously allowed Members of this House to introduce amendments without notice, I have the honour to request that you will permit me, as a Member of the Government, without notice, to move the following amendment:

'That after clause 6 of the Bill the following clause be inserted, namely:

'7. In sub-section (3) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure '1921' the figure '1923' shall be substituted and shall be deemed to have been substituted with effect from the first day of April 1921.'

(ii) That clauses 7 and 8 of the Bill be renumbered 8 and 9, respectively.'

**Mr. N. M. Samarth:** May I ask one question?

Has section 12 of the Act of 1920, 'An Act further to amend the Paper Currency Act, 1910', been in operation or not? I want to have a specific answer to that question before I can proceed with my arguments. Have the provisions of section 12 of the Act been brought into operation or not? May I have an answer to that, please?

**The Honourable Sir Malcolm Hailey:** The permanent provisions?

**Mr. N. M. Samarth:** The provisions of section 12 of 'An Act further to amend the Paper Currency Act' which received the assent of the Governor General on the 17th September, 1920.

**The Honourable Sir Malcolm Hailey:** Section 12 of the Act says: 'A reserve shall be maintained'. That is the section to which the Honourable Member refers, and it embraces what I described as the permanent provisions. Section 13 of the Act says that, pending introduction on due date of the arrangements contemplated in section 12, other arrangements shall be made.

**Mr. N. M. Samarth:** No, but that the following provisions shall be in force. Until the provisions of section 12 of this Act are brought into operation, the following provisions shall be in force, but shall as from appointed date be deemed to be repealed. I think the Government propose that, the provisions of section 12 of this Act not having been brought into operation, an amendment is sought to one of the provisions of section 13, as a side-wind.

**The Honourable Sir Malcolm Hailey:** That is the proposal, Sir, but I do not admit that it is a 'side-wind'.

**Mr. N. M. Samarth:** Then we would be in a position to consider what the effect would have been on the other sections. Without notice we are being asked to consider the amendment of an Act which has relation to other provisions of the Act, and with the provisions of other sections with which it is interlaced, and we are asked to amend it in a Finance Bill, although no such provision was intended in the Finance Bill itself.

**The Honourable Sir Malcolm Hailey:** That does not hold good. Section 13 is self-contained. It is not interlaced with other sections of the Act. The one provision which we are affecting in section 13 is that interest on such securities shall be used as described in that section. We are not affecting it in any other way.

**Mr. J. Chaudhuri:** May I suggest a solution. All this controversy will be avoided if the Honourable the Finance Member will insert this clause when introducing this Bill in the Council of State. Having regard to the changes made in this Bill by us, consequential changes will have to be made. If the Honourable the Finance Member will add this clause, namely, Sir Montagu Webb's amendment, and introduce the amended Bill in the other House to-morrow and bring the Bill again before us (*Dr. Gour*: 'No') after the Council of State has considered the Bill, as he must, even if verbal alterations are made, he will take the wind out of Dr. Gour's sail.

My chief difficulty with regard to this clause has not been one of legal technicality. With great diffidence I would ask the Finance Member, what effect this suspension of deflation and depletion of our Reserve is likely to have on our Exchange. I will not hazard any opinion as to our likely difficulties in the current and future years on this account. But I cannot forget that our loss in the year just closed has been 15½ crores over exchange, and we have further, owing to slump in the trade, caused chiefly by our currency policy, realized 1½ crores less revenue than we expected. That accounts for almost the whole of the deficit in our last Budget.

Supposing the course that is suggested by Sir Montagu Webb is adopted, and instead of strengthening we take away a portion of our gold reserve and utilise it for the purposes of revenue, will the Finance Member tell us whether that will not hamper us in our transfer operations, I mean, with regard to the transfer of funds that may take place between India and the Secretary of State by means of the sale of Council Bills? It is the gold reserve that enabled us to maintain our exchange before we took to the selling of reverse. If, instead of strengthening the reserve, we weaken it, shall we not worsen our position?

**Mr. Jamnadas Dwarkadas:** I thought we were discussing a point of order in connection with Dr. Gour.

**Mr. J. Chaudhuri:** I only suggest that if the exchange further goes down, we shall be in a much worse position. To stabilize one exchange we must strengthen our gold reserve, deflate and restore the balance of trade in our favour as in the past.

**Dr. H. S. Gour:** The Honourable Finance Member seeks leave to introduce a Bill before this Assembly. Honourable Members inquire, 'Where is the Bill'? He tells us that his Bill is the Bill, the purport of which would be the amendment moved by my Honourable friend, Sir Montagu Webb; but it is not the Bill. Consequently, there being no Bill before the House—a Member is not in possession of any Bill—my friend on the other side cannot introduce a thing which is non-existent. That is my short answer to his motion to introduce a Bill. If such a Bill be in existence, I want to see a copy of it, because I want to examine and see what his motion before the House is, with respect to what Bill and what are its provisions. Then I shall move that it should be published in the 'Gazette of India.' Rule 67, says:

> 'As soon as may be after a Bill has been introduced, the Bill, unless it has already been published, shall be published in the Gazette.'

I take it that the Honourable the Finance Member has not in the meantime got it published in the Gazette. Then certain procedure has to be followed which, I submit, cannot be lost sight of here. I, therefore, ask the Honourable the Finance Member not to hurry over this legislation. We have not had time to consider it. It must not be thought that we are going to oppose it. We are laymen in this House and do not exactly understand and do not mean to fall into the trap of financiers or a group of financiers who may be expressing views not in consonance with the considered opinion of the country at large. We should have time to think about it.

I have listened to my friend Sir Montagu Webb and to the very able reply of the Honourable the Finance Member. I shall take copies of both and go to my financial experts and discuss the whole situation with them. I may frankly admit that I have neither understood his speech nor the Honourable the Finance Member's reply. Therefore, I submit that, if any Bill is to be introduced, Members of this House, who think alike with me and who are laymen like myself, would like to have some time to consider over the question,

because it is a curious thing that one private Member moves a certain Resolution and half a dozen financiers in this House get up and say that this is a very fine proposition and should be accepted. That makes me, Sir, somewhat suspicious, and I should like, therefore, to examine the whole question and toss it over in my own mind as to what will be the ultimate result of it upon the currency of the country, upon the paper money and upon other questions. I beg to submit, therefore, that, there being no Bill, the motion is out of order.

**Mr. President:** The Honourable Member wishes me to rule out of order the amendment moved by Sir Montagu Webb. Technically, the Honourable Member is right. This is one of the many occasions when I rejoice, with the Finance Member, that I am not a lawyer. Had I been a lawyer, my rulings might have been of a different character. Most of the debate which we have had on this Budget would have been ruled out of order. I draw the Honourable Member's attention to the fact that this is a Bill 'to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.' That is the Title of the Bill. But, acting under the usual Parliamentary practice, I have interpreted the Title of the Bill on the basis of clause 1, which says, 'This Act may be called the Indian Finance Act.' I have exercised my discretion in calling it the Indian Finance Act, 1922. I have permitted the House for the last two or three days to discuss a great variety of cases which are not within the four corners of the Bill at all: as, for instance, the Army and the general administration in India. If the Honourable Member chooses to maintain his point of order, I give him his choice, between the maintenance of that point of order and his application henceforth to Finance Bills in the future of a more generous interpretation which I propose to give.

**Dr. H. S. Gour:** Well, Sir, I am much obliged to you for giving me a choice. But in this connection I must exercise that choice against my friend Sir Montagu Webb, not because I am not in sympathy with his Resolution or that I shall not eventually support it, but on the ground that we cannot drive a carriage and four through the standing rules and orders which this House has made and which this House must strictly observe. I have already pointed out, Sir, that if there is any intention on the part of my friend or the Honourable the Finance Member to introduce an independent Bill, it will receive an independent and perfectly impartial consideration and I can assure him that, if it is a sound financial proposition there will be no one on this side of the House who would be more anxious than myself to further the object he has in view of deflating the paper currency of this country.

**Sir Deva Prasad Sarvadhikary:** As you have not yet given a ruling, Sir, may I rise to make a submission. What are we doing here? Finance Bills are, for purposes of facility of business, not referred to Select Committees. We are therefore doing here Assembly work as well as Select Committee work, and I put it to Dr. Gour himself as to whether in regard to Select Committee work it is not open to Members to bring forward propositions like this which find acceptance and consequently find place in the report as well as in the amended Bill. May I give an illustration? There is at the present moment the Criminal Procedure Amendment Act with regard to taking of evidence on Commission in Indian States. With regard to that, a question has arisen as to whether some amendment of the Indian Evidence Act and possibly the Indian Oath Act also will not be necessary in order that full and proper effect may be given to the object of the enactment in view. When the Select Committee does make their recommendation on the motion of a private Member to the effect that certain sections of the Indian Evidence Act or of the Indian Oath Act should also be amended in a particular way in order that the object of the Criminal Procedure Amendment Act should be achieved, would it be open to us here to say that this had been proposed, say, by Dr. Gour and therefore it being in the nature of a private Bill ought not to find place in the Bill as amended by the Select Committee. On the other hand, would not the Assembly find fault with the Committee for not doing the right thing? You have already pointed out, Sir, that this is an Indian Finance Act and not an Act for the enhancement of salt duty and other things. That is my second point, and the Title and Preamble may yet be amended in the needful way.

**Dr. H. S. Gour:** I am extremely surprised to hear these words from a learned Solicitor of the Calcutta High Court, that the Preamble and the definition and the Short Title can be controlled by the Title of the Bill. I ask, Sir, the Honourable the Law Member to say whether it is not a fact that

the sole controlling clause in an Act of Parliament as well as in an Act of the Indian Legislature is the Preamble and the Object and Reasons stated at the very commencement of the Bill.

**The Honourable Dr. T. B. Sapru** (Law Member): I am not prepared to subscribe to that proposition. Most eminent judges have given a warning against such a proposition. Sometimes you find it from the Preamble, sometimes from the Title and sometimes from the whole of the Act. There is no hard and fast rule about it.

**Mr. President:** I want to know the point to which Dr. Gour is addressing himself.

**Dr. H. S. Gour:** I was just addressing myself to the short question that Sir Deva Prasad Sarvadhikary raised, and it was with reference to that that I was appealing to the Honourable the Law Member who spoke a little too soon. The Honourable Sir Deva Prasad Sarvadhikary said that we are sitting here as a Select Committee of the whole House to consider the Finance Bill and, though technically I am right, there is nothing wrong in the Select Committee to introduce this Paper Currency Amendment Bill and he thinks it would be right and proper for the Select Committee to do so. It was in that connection that I wanted to invite a reference to the ruling given by the Honourable Dr. Sapru on several occasions that, sitting in a Select Committee, it is not admissible for a member of the Select Committee to introduce a matter by way of an amendment to an Act which will extend and enlarge the purpose of the Bill itself. It was in that connection that I invited his opinion and I fortify myself by saying so, and I know that my friends who have sat in so many Select Committees know that it is an invariable rule of practice that sitting in a Select Committee, you cannot introduced therein a matter which is foreign to the main purpose of the Bill. That surely is a very elementary principle of which my friend Sir Deva Prasad Sarvadhikary, so eminent a lawyer as he is, could not be unaware and I am surprised that he should gloss over the objection that I have taken by referring to a procedure which, I submit, is unprecedented.

**Mr. President:** I think this Assembly will agree with me that it is time now to have done with hair-splitting. Technically, Dr. Gour is right in his contention. I have refused so far to give a ruling on this subject as I did not wish to bind the Assembly and myself down too closely to an observance of the mere letter of the Standing Orders. It is a well-recognised Parliamentary procedure that on a Finance Bill general discussion may arise. If, as I pointed out before, I were to maintain the point which Dr. Gour has put to me now, it would not be in my power to give the Assembly liberty to range over the public administration of India under the Finance Bill, which I hold it is in the power of this House to do at present.

**The Honourable Sir Malcolm Hailey:** Might I just add, not as contributing or attempting to contribute to the legal aspect of the case, that I fear it will be very difficult for me in future to bring forward a Finance Bill at all if it is to be subject to these dangers. A Finance Bill is necessarily of an omnibus nature. That, as drawn, it is a great convenience to the Assembly and to all those who are affected by the result of our legislation regarding taxation, there can be little doubt. We followed the procedure of the English Parliament in so doing; but, Sir, if I am to encounter, in the course of financial discussions, legal difficulties of this nature, I fear that it will be necessary in future for me to trouble the House with a series of Bills amending each particular Act affected, and that, I think, the House itself would find a distinct inconvenience. Let me point out, if I may, the difficulty to which my honourable friend's objection, if sustained, would involve. If you will turn to amendment No. 58 you will find exactly that the same objection will apply as to the section under discussion. I should be very unwilling to bring that objection against amendment No. 58, and I only ask the House not to force us in future to a procedure which would in itself be inconvenient to the House, because it would have to pass a large number of measures inconvenient to the trade, because they would have no one place to refer to for the results of taxation, and incovenient in another way, because, discussion would have been circumscribed to the narrow sphere of each individual Act. (Hear, hear.)

**Mr. Jamnadas Dwarkadas** (Bombay City: Non-Muhammadan Urban): I take it, Sir, that your ruling on the question is that the Honourable the Finance Member can move his amendment, and, so, I take it, the position in which we are is this, that the amendment of the Honourable the Finance Member is before the House.

Now, Sir, my Honourable friend, Dr. Gour, seeks to enlighten this House on any question that is brought before it. According to his own admission, he was not able to understand the financial matters raised by able financiers like my Honourable friends, Sir Montagu Webb, Mr. Ramji, Sir Vithaldas Thackersey and the Finance Member, and so probably he thought it was dangerous to expose himself to a criticism which might be levelled against him afterwards if he ventured to make a speech on a subject which he could not understand anything about. (Hear, hear.) But, as my Honourable friend is always anxious to enlighten this House on one matter or another, he sought the opportunity of making a speech by raising a technical point of order. However, I have nothing to do with that. But, as a business man, I do think and I cannot help thinking, that my Honourable friend has been guilty of wasting the time of this House . . . .

**Dr. H. S. Gour:** I rise to a point of order. Is the Honourable Member in order in ascribing to me a waste of the time of the House on an objection which you, Sir, have sustained?

**Mr. Jamnadas Dwarkadas:** However, Sir, I will not pursue the matter further. (Laughter.)

With regard to the amendment which is before the House, I give my full support to the amendment moved by my Honourable friend, the Finance Member. The leader of our Party, my Honourable friend Sir Sivaswamy Aiyer, has already pointed out that, while we do not yield to any one in the House in our desire to bring about a policy of retrenchment, yet we do think that we ought to be able to exercise our desire with a good deal of reason and common sense. (Hear, hear.) I feel that, after having cut down the taxation to this level which has been pointed out by my Honourable friend Sir Montagu Webb, we would not be justified in leaving the finances of the country in the state in which they would necessarily be left if we did not support the amendment of my Honourable friend the Finance Member. At the same time, as has been so ably pointed out by Sir Montagu Webb, the interest on the Paper Currency Reserve cannot be used for the purposes for which it was intended to be used without in a way bringing about a financial and a commercial crisis. No better use then could be made of this interest than by taking it to the revenue account so as to adjust our finances in this year of stringency. I go further, Sir, and also support Sir Montagu Webb's contention that the interest on the Gold Standard Reserve be appropriated in the same way. My Honourable friend the Finance Member says that it would be stealing, that it would be spoliation. I do not agree with him. It may be that, strictly speaking, ordinarily, appropriating the interest on the Gold Standard Reserve would not be quite the proper thing, but when you are pressed hard, in this this year of stringency, when you have to keep your finances in proper order so as to secure your credit, I think it is in the country's interest that this interest on the Gold Standard Reserve should be appropriated.

With these words, I support the amendment.

**The Honourable Sir Malcolm Hailey:** I believe we are discussing now my amendment and I do not wish to add to the length of the discussion. I would not have done so now at all, had it not been that I find it necessary to explain briefly one or two points that have occurred in the course of the speeches delivered by my Honourable friends.

Mr. Chaudhuri asked for information as to the effect which this operation would have on Exchange. I think that my financial friends here will agree with me that we do not regard this primarily as a matter that is connected with exchange, but, if it has any effect on Exchange, it will be somewhat as follows. If failing the carrying of this motion, we are forced to carry out a compulsory cancellation of note-issue by virtue of the Statute as it stands at present, then we shall possibly be hampered in carrying out our deflation later on, the deflation I mean which we ought to carry out for the purpose of putting the Secretary of State in funds. Now, Sir, if we are not able to carry out that deflation later on, then the Secretary of State will have to come on the market all the earlier to sell Council Bills. To that extent, therefore, if there is any immediate effect of this measure, it would be perhaps slightly to strengthen rather than to depress exchange. There is a second point. Some of my friends here may perhaps have thought that I was arguing equally at one time against Sir Montagu Webb's original proposition, namely, the utilisation of the interest from the Paper Currency Reserve, and his suggestion which was that we should utilise the interest on the Gold Standard Reserve, (*Sir Montagu Webb*: 'Temporarily') temporarily. Now, Sir, I do not wish that these two operations should in any way be confused or that it should be thought that I regard the former of these two operations as a suspicious or

undesirable operation. My objections directed to Sir Montagu Webb and to Sir Vithaldas Thackersey were confined entirely to the suggestion that we should use the interest on the Gold Standard Reserve. As to the former, Sir, Sir Montagu Webb's original proposition (though I think that I have now undertaken charge of that infant from him), it is not, as he has represented, a new or surprising proposition. It has not been sprung on the House unexpectedly. It has been discussed at great length ever since, I think, the 2nd or 3rd of March, in many financial papers in India. I can, if my Honourable friends desire, give them numerous references to passages in which this matter has been discussed in papers which are distinguished for the interest they take in financial operations; and that it is no new or strange matter is amply proved by the fact that we have received a number of telegrams, some of which were quoted by Sir Montagu Webb himself, from commercial bodies in the country dealing with the matter. We had not only a telegram but a long letter from the Merchants' Chamber and Bureau of Bombay, a very interesting and well informed discussion of the question. That letter is at the disposal of any of my Honourable friends here who wish to probe further into the question.

Now, Sir, one matter and one matter only in conclusion. I am, I am afraid, sometimes the victim of my own unconscious attempt at humour. I did in replying to Mr. Rangachariar use the word 'spoliation' with regard to the appropriation of the interest on the Gold Standard Reserve. I very much regret that I did so. I did not intend to convey the impression that Sir Montagu Webb or Sir Vithaldas Thackersey had suggested an act of spoliation on the Gold Standard Reserve, and I hope that my Honourable friends here will not draw any implications whatever from my somewhat unfortunate use of that expression. Mr. Jamnadas Dwarkardas has phrased the matter very much more happily. I merely wished to state that I do not think it would be quite the proper way of utilising that interest; and I notice that my Honourable friends in suggesting that the interest should be so utilised have confined themselves to suggesting that it should be so utilised temporarily only. If I may be allowed to do so, I would like to withdraw the word 'spoliation' and say merely that it would not be proper to use the interest in the manner proposed.

**Dr. H. S. Gour:** Sir, I must apologise to my young friend, Mr. Jamnadas Dwarkadas, for having encroached upon a province which is specially his own. He has charged me with enlightening this House on any and every question. I confess, Sir, that, that being his special monopoly, I have at times ventured to encroach upon it. An instance of my Honourable friend's versatility must have been manifest to this House when he justified the Honourable the Finance Member's expression 'spoliation', which, he said, meant plunder. (*Mr. Jamnadas Dwarkadas*: 'I never said that.') Well, he did not know its meaning, but he said it was justifiable when you have got to it. Now, the Honourable the Finance Member thinks that that expression 'spoliation' was inapt and he would rather not have used it. But my friend's mentality tends in the direction of justifying everything that comes from the Honourable the Finance Member oblivious of the humour and even the mistakes that the Honourable the Finance Member may hereafter confess to. Such are the sound views of my friend, and I have not the slightest doubt that my Honourable friend must be as equally sound in his finance as he is in his logic; and that is perhaps one of the reasons why this House looks askance at propositions which he so boldly advances but which unfortunately receive such scant justice from the hands of the Honourable Members here.

Now, Sir, to turn to the Honourable the Finance Member—he admits that it would be an improper thing to withdraw the interest from the Gold Reserve for the purpose of deflating the currency and for current revenue purposes; but he says there are circumstances when the withdrawal of that money might be justified.

**The Honourable Sir Malcolm Hailey:** I am sorry to interrupt the Honourable Member (Dr. Gour) and I know he will excuse me. My remarks referred entirely to the suggested use of interest from the Gold Standard Reserve. I thought it would not be proper to use the interest from the Gold Standard Reserve in the manner proposed. The motion before the House, Sir, refers entirely to the use of the interest on our paper currency securities; and I never said, nor should I say, that the motion, which was brought forward by Sir Montagu Webb, amounted to an improper use of that interest at all. It is a different proposition, and I think that everyone has admitted that, in certain circumstances, it is quite proper to suspend temporarily the operation of the Act which makes us utilise the interest from our paper currency securities for cancellation of our unbacked securities. I beg that

Dr. Gour will, if he will allow me to suggest it, keep those two questions entirely apart. One is before the House; the other is a suggestion for our own action, which is not really before the House at all.

**Mr. N. M. Samarth:** May I ask one question? I do not say anything about the merits of this proposal. I want to make sure that by the change of this date, the operation of section 12 of the Act is held in abeyance, is postponed. Isn't that the effect of it?

**The Honourable Sir Malcolm Hailey:** To that extent.

**Mr. N. M. Samarth:** Well, by this change of date you prevent the operation of section 12 of the Act for another two years.

**The Honourable Sir Malcolm Hailey:** Section 12 may take 20 or 30 years to come into operation. It will be delayed by just the time for which we suspend the operation of section 13.

**Mr. N. M. Samarth:** That is the meaning of it, and I am glad that a motion of this character, Sir, has been allowed. I hope to take the fullest advantage of this at the next Finance Bill to introduce into the Bill measures calculated to give us more revenue in respect of, say, Railway fares or Railway freights, or it may be, to reduce the rates or taxes which may have been imposed, although not to be found in the Finance Bill. From that point of view, I welcome the ruling.

**Mr. President:** The question is :

'(*i*) That after clause 6 of the Bill the following clause be inserted, namely :

'7. In sub-section (3 of section 13 of the Indian Paper Currency (Amendment) Act, 192', for the figure '1921' the figure '1923' shall be substituted and shall be deemed to have been substituted with effect from the first day of April 192..'

(*ii*) That clauses 7 and 8 of the Bill be re-numbered 8 and 9, respectively.'

The Assembly then divided as follows :

AYES—56.

| | |
|---|---|
| Abdul Quadir, Maulvi. | Jamnadas Dwarkadas, Mr. |
| Abdul Rahim Khan, Mr. | Kabraji, Mr. J. K. N. |
| Aiyar, Mr. A. V. V. | Keith, Mr. W. J. |
| Aiyer, Sir P. S. Sivaswamy. | Lakshmi Narayan Lal, Mr. |
| Akram Hussain, Prince A. M. M. | Lindsay, Mr. Darcy. |
| Amjad Ali, Maulvi. | Manmohandas Ramji, Mr. |
| Barodawala, Mr. S. K. | Mitter, Mr. K. N. |
| Barua, Mr. D. C. | Muhammad Hussain, Mr. T. |
| Bijlikhan, Sardar G. | Nabi Hadi, Mr. S. M. |
| Bradley-Birt, Mr. F. B. | Percival, Mr. P. E. |
| Bray, Mr. Denys. | Ramayya Pantulu, Mr. J. |
| Bryant, Mr. J. F. | Rao, Mr. C. Krishnaswami. |
| Chatterjee, Mr. A. C. | Renouf, Mr. W. C. |
| Chaudhuri, Mr. J. | Rhodes, Mr. C. W. |
| Clarke, Mr. G. R. | Sapru, the Honourable Dr. T. B. |
| Cotelingam, Mr. J. P. | Sarfaraz Hussain Khan, Mr. |
| Crookshank, Sir Sydney. | Sarvadhikary, Sir Deva Prasad. |
| Dalal, Sardar B. A. | Schamnad, Mr. Mahmood. |
| Dentith, Mr. A. W. | Sharp, Mr. H. |
| Faridoonji, Mr. R. | Spence, Mr. R. A. |
| Fell, Sir Godfrey. | Thackersey, Sir Vithaldas D. |
| Gajjan Singh, Sardar Bahadur. | Tulshan, Mr. Sheopershad. |
| Habibullah, Mr. Muhammad. | Vincent, the Honourable Sir William. |
| Hailey, the Honourable Sir Malcolm. | Vishindas, Mr. H. |
| Hullah, Mr. J. | Waghorn, Colonel W. D. |
| Hussanally, Mr. W. M. | Way, Mr. T. A. H. |
| Ikramullah Khan, Raja M. M. | Webb, Sir M. dePomeroy. |
| Innes, the Honourable Mr. C. A. | Zahiruddin Ahmed, Mr. |

NOES—41.

| | |
|---|---|
| Abdul Majid, Shaikh. | Misra, Mr. B. N. |
| Agarwala, Lala G. L. | Misra, Mr. P. L. |
| Agnihotri, Mr. K. B. L. | Mukherjee, Mr. J. N. |
| Ahmed, Mr. K. | Mukherjee, Mr. T. P. |
| Ahmed Baksh Khan, Mr. | Nag, Mr. G. C. |
| Asjad-ul-lah, Maulvi Miyan. | Nand Lal, Dr. |
| Ayyangar, Mr. M. G. M. | Neogy, Mr. K. C. |
| Ayyar, Mr. T. V. Seshagiri. | Pyari Lal, Mr. |
| Bagde, Mr. K. G. | Rangachariar, Mr. T. |
| Bajpai, Mr. S. P. | Reddi, Mr. M. K. |
| Bhargava, Pandit J. L. | Samarth, Mr. N. M. |
| Das, Babu B. S. | Shahani, Mr. S. C. |
| Ginwala, Mr. P. P. | Singh, Babu B. P. |
| Gour, Dr. H. S. | Sinha, Babu Adit Prasad. |
| Gulab Singh, Sardar. | Sinha, Babu Ambika Prasad. |
| Ibrahim Ali Khan, Lieut.-Nawab M. | Sohan Lal, Bakshi. |
| Iswar Saran, Munshi. | Srinivasa Rao, Mr. P. V. |
| Kamat, Mr. B. S. | Subrahmanayam, Mr. C. S. |
| Latthe, Mr. A. B. | Subzposh, Mr. S. M. Z. A. |
| Mahadeo Prasad, Munshi. | Yamin Khan, Mr. M. |
| Man Singh, Bhai. | |

The motion was adopted.

The new clause was added to the Bill.

**Mr. President:** The debate will now be resumed on clause 1. The question is that clause 1, as amended, stand part of the Bill.

**Rao Bahadur T. Rangachariar:** May I know, Sir, what clause this amendment of Sir Malcolm Hailey's will be? What will be its number?

**Mr. President:** The clause comes in at the end of the Bill as clause 9.

**Rao Bahadur T. Rangachariar:** May I have your permission, Sir, to include it in this clause, that is, that instead of 'sections 2, 5 and 7' in sub-clause (*3*) of this clause, it should be 'sections 2, 5, 7 and 9', which shall remain in force only up to the 31st day of March, 1923? We will be able then to reconsider our position at the end of the year.

**The Honourable Sir Malcolm Hailey:** That is already provided for in the substantive motion.

**Rao Bahadur T. Rangachariar:** I think your figure was 1923 or 1924.

**The Honourable Sir Malcolm Hailey:** Sir, the amendment ran—'the figure '1923' shall be substituted.' I am not competent to speak about drafting terms, but it was certainly intended to apply only to the present year.

**Sir Montagu Webb:** And the coming year.

**The Honourable Sir Malcolm Hailey:** And the coming year.

Clause 1 was added to the Bill.

**Mr. A. V. V. Aiyar** (Finance Department): I beg to move, Sir,

'That in the Title and Preamble to the Bill, for the word 'enhance' the word 'fix' be substituted.'

This is a purely formal amendment, Sir, because clause 2 of the Bill as passed by the House does not enhance the duty on salt but fixes it at Rs. 1-4-0 a maund.

The motion was adopted.

**The Honourable Sir Malcolm Hailey:** Am I in order in moving an amendment to the Title, Sir?

**Mr. President:** Yes.

**The Honourable Sir Malcolm Hailey:** Sir, I beg to move:

'That in the Title and Preamble to the Bill the word 'and' where it first occurs be omitted, and after the words and figures 'the Indian Post Office Act, 1898', the words and figures 'and the Indian Paper Currency Amendment Act, 1920,' be inserted.'

The motion was adopted.

**Rai Sahib Lakshmi Narayan Lal:** Sir, I beg to move:

'That the following words and figures be deleted from the Title and Preamble:
'The Cotton Duties Act, 1896.'

The motion was adopted.

**Mr. A. V. V. Aiyar:** Sir, I beg to move that such further amendments be made in the Bill as are consequential on the amendments already made.

**Dr. H. S. Gour:** May I say, Sir, that I have given notice of an amendment which will exactly suit the Finance Bill, as it has been finally passed. My amendment is to delete the words 'to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India', 'Further to amend the Indian Tariff Act'—that I have allowed to stand . . . .

**Mr. President:** That is settled because we have altered the word 'enhance' to 'fix'.

The question is:

'That such further amendments be made in the Bill as are consequential on the amendments already made.'

The Preamble and Title to the Bill as amended were added to the Bill.

**The Honourable Sir Malcolm Hailey:** I beg to move, Sir, that the Bill as amended, be passed.

**Sir Sivaswamy Aiyer:** Sir, I wish to congratulate the Honourable the Finance Member upon the good humour with which he has piloted this Bill. When the Honourable the Finance Member made his financial statement, he complimented the House upon the spirit of co-operation which it had displayed

in dealing with the Budget last year, and he invited us to face the situation this year, with the Government in a spirit of co-operation and with the same high sense of responsibility. When after the general discussion on the Budget in a moment possibly of temporary irritation, due I believe to the fierceness of the criticisms with which he was assailed, he asked, has it come to a parting of the ways? Are you going to decline any responsibility for our financial proposals? Sir, I hope that the attitude of the House during the discussion of the Finance Bill has supplied the answer which he wanted. Though the Government of India Act does not confer upon us any responsibility in the real sense of the term, we have endeavoured to act as a responsible body and discharge our duty to the country. We have endeavoured to recognise the difficulties in which the Government has been placed, difficulties mostly not of their own creation, but due to a system which they have inherited and to circumstances not altogether under their control. We have sympathised with them in their difficulties and we have brought a spirit of co-operation in the discharge of our duty. Here I may acknowledge with thanks the attitude which has been adopted by the Government in working the constitution. Though, as I said, no responsibility has been conferred upon us, the Government have been desirous to work the constitution in the manner in which they would have worked it as if we had some share of responsibility, and for some portion at least of the expenditure. I believe the Government have been as desirous as we have been to establish the constitutional convention of not going behind the decisions of the Legislature but accepting them. Sir, I hope that it will be recognised that we have tried to discharge our duty as conscientiously as possible. I said we have tried to face the situation with sympathy and in a spirit of co-operation. I hope the Government will also sympathise with us by putting themselves in our places—I do not mean in any real sense of the term—but in imagination. Fortunately for us both, we cannot exchange places, and I do not wish to, certainly in this period of embarrassment of the Government, but if the Members of the Government will only put themselves in our position they will realise our responsibilities to the country. I ask them to put themselves the question what they would have done if they had been in our places. We have had no desire to embarrass the Government or to paralyse the administration. Our sole desire has been to work the Reforms successfully, to supply the administration with as much funds as we thought were really necessary and to supply incentives to economy. Beyond that we have not proceeded at all. Now, Sir, I ask the Honourable Sir Malcolm Hailey, has it come to this that you imagine that there can be no honest differences of opinion on questions of administration or the burdensomeness of the administration or as to the policy to be pursued? Has it come to this that we are to be patted on the back if we agree with you, but that if we do not agree with you, we are to be told that our constitutional advance will be hindered or retarded? If the price of constitutional advance is to be the suppression of our right to criticise the Government, of our right to represent the popular voice, then I say I am not prepared to pay the price for constitutional reforms. We are not prepared to be a body of *jo hukums* subservient to the Government. We are anxious to secure constitutional advance but not at the price of forbearing to exercise our rights as representives of the people.

**Mr. P. P. Ginwala** (Burma: Non-European): Sir, I am afraid I do not find myself in such an amiable mood as the leader of the National Party found himself this afternoon. I am prepared to join him in complimenting personally the Honourable the Finance Member on the excellent manner in which he has dealt with his difficulties and his heroic efforts to get over them. But all the same, speaking for myself, I cannot consent to the passing of this Bill without protesting against some of its principles and sounding a note of warning with reference to others of them. The object of this Finance Bill that we have now to pass is to vote a large sum of money for the purpose of the administration of this country. If the estimates of the Honourable the Finance Member are correct, in spite of the democratic axe which, I am sorry to say, rather failed in the end, he will be able to realise a sum of Rs. 80 crores odd from the Finance Bill alone. Last year he was expected to realise a sum of about Rs. 60 crores. Of that sum last year Rs. 67 crores was spent on military expenditure. This year, out of 80 crores odd, the estimate is about Rs. 67 crores. Thus, the result of our voting this money is that apparently all the Departments of the Government of India are to make revenue for the purpose of maintaining the Army in this country. That, in substance, is the result of all these discussions and the outcome of the Finance Bill. Out of all this money, we find that we have really speaking voted about Rs. 20 crores, and the rest is, though voted in this form, to be spent by the military authorities without reference to us. Sir, we have protested before, and we protest now, against this principle. We are not going to vote you money which you spend as you like without reference to us. The Law Officers have advised you fortunately that the

Military Budget is going to remain non-votable. We have got to accept the advice of *your* Law Officers though *our* Law Officers have advised us differently on that point.

**The Honourable Sir Malcolm Hailey:** Is that so ?

**Mr. P. P. Ginwala:** Our Law Officers of the Democratic Party. But before a single farthing of this money is spent by the Government of India, we shall put you to proof of your right to spend it. If it is spent upon the Army, though you may make the estimate non-votable if you like, but we shall put you to proof that you have got the right under some Statute or some authority to maintain a Standing Army in this country. I am not one of the Law Officers of the Crown and therefore I do not know the whole law on the subject, but before this House commits itself to this vote for any money, under the Finance Bill, it must take an assurance from the Honourable the Finance Member that he will put those who claim a share in the money to prove all their right. I can find no enactment that I can lay my hands on which authorises the Governor General or the Governor General in Council to maintain a Standing Army in this country, and I hope that the Auditor General or whoever is expected to look into the expenditure of public money will see that, before he sanctions any money, he puts them to proof of their right. I see a smile on the face of the Honourable the Finance Member. Probably he has got something to justify this. If that is so, well and good. But before we come to this House again, Sir, I should like to be satisfied by the Honourable the Finance Member that he has got authority to hand over this money for the purpose of maintaining the Standing Army in this country. For our own part, we tried this year, apart from this question, to cut down the expenditure in the various Departments, so that we may be able to hit the Military Department, through the Civil Administration. But, this afternoon we found that after all we were not successful, judging by the results. The deficit is now reduced to 4 or 5 crores.

**The Honourable Sir Malcolm Hailey :** No, no.

**Mr. P. P. Ginwala :** Or 6 or 7 crores at the most.

**The Honourable Sir Malcolm Hailey:** My Honourable friend need not be so depressed. It is 916 lakhs according to our calculation.

**Mr. P. P. Ginwala :** Very well. It ought to have been 14 or 15 crores according to ours, so that to that extent we have been defeated. But unless a real attempt is made—and I have no doubt that we fully believe the Honourable the Finance Member when he says that he is seeking to make a genuine effort to reduce the expenditure—unless a real attempt is made to cut down expenditure and unless we hear that some attempt is made to cut down the military expenditure, I am afraid we shall have to find other means of accomplishing our object. On this occasion, Sir, the Democratic Party do not wish to go further than this. We have made it perfectly clear to the House and to the Government that we are bent upon cutting down this military expenditure as best we can by the proper exercise of our rights under the Act and we shall do our best for that purpose. If the Honourable the Finance Member, of course, says that he has got no control over the military expenditure . . . .

**The Honourable Sir Malcolm Hailey :** I have never said that.

**Mr. P. P. Ginwala :** Well, he says he has got control over the military expenditure, but we have also been told by him, that the military expenditure cannot be reduced. We shall then have to hit the military expenditure through the Honourable the Finance Member. This is not a threat at all. The temper of the House has made it perfectly clear that this military expenditure has got to be cut down and that the Military Budget has to be placed before this House, and, if that is not done, we shall hereafter have to refuse to take any responsibility in passing the Finance Bill which, as I have pointed out, is only for the purpose of maintaining the Army in this country. In other countries, the Army protects, and is kept for the maintenance of the Government. In the Government of India, the Government is run in order that the Army may be maintained. That is the net result of all we have been doing for the last many days.

With regard to the method of taxation, I should like to point out to the Honourable the Finance Member that I object to this method which is now being more or less crystalised. We would like to see some other method adopted by which the appropriate sources of taxation can be found out, the taxable capacity of the country may be ascertained and some attempt may be made to make the incidence of taxation more or less even. Unless the Finance Member takes some serious steps to get proper information as to

the taxable capacity of the people and the kind of taxation that we ought to have having regard to the present day conditions, he will find himself, I am afraid, in a much worse condition hereafter, because some of these sources of taxation have almost been over-tapped. I would also suggest to him, though of course it is no part of the duty of this side of the House to make any constructive suggestions, to make it possible for this House—and I know that the Honourable the Finance Member will meet us in that way—to allow this House to discuss the general administration of the country by way of discussions on Appropriation Bills. Here, we vote this money once a year and it is spent on by the various Departments, but there is no other opportunity during the year of our reviewing the general administration of the country because no Appropriation Bills are brought up and no legal effect, really speaking, is given to the sums which are voted by this Assembly. With regard to the non-votable items, the Governor General in Council appears to help himself without getting any legal authority to appropriate any amount for particular services. If the system of appropriating monies voted by means of Appropriation Bills is introduced, we shall have an opportunity throughout the year of reviewing the administration and keeping some sort of check over the Finance and other Departments. With these remarks, at present, I protest against the passage of this Bill without moving for its rejection, but in any case I am entitled to be satisfied that the money that we are now voting is money that under any provision of the law the Governor General is entitled to spend.

**Sir Deva Prasad Sarvadhikary:** Sir, the Honourable Sir Malcolm Hailey, in concluding his speech when presenting the Financial Statement, warned us that we ought not to help in diminishing the number of friends of Reform either here or in England. If we lose them anywhere it will be in spite of ourselves. I think the Assembly has on this occasion as last year absolutely justified itself. It is not for us to congratulate ourselves on what is called moderation of our own views by a distinguished *ex*-Viceroy elsewhere in another concern, not unlike Lord Clive's boasted moderation at the Murshidabad Treasury. We did set ourselves from the beginning to see that if possible 10 or 12 crores were reduced not merely by way of putting pressure on Government but to assist retrenchment. On all sides of the House, our efforts have succeeded though for different reason. We believe that the Government will be able to carry on with reduced taxation in certain directions that appeared to be very necessary. Sir, I join Sir Sivaswamy Aiyer in congratulating the House and the Honourable the Finance Member on the way we have between ourselves carried through the Finance Bill. I cannot share in the regrets and gloomy pessimism expressed by Mr. Ginwala although I appreciate his efforts and everybody else's efforts to have more powers and to build up healthy conventions. A sort of Blue Beard Chamber character has been given to the Assembly in some matters by some who believe in and are swayed by rumours of threats and mandates. That character is disclaimed by the Finance Department, though at its door stand impotent Finance Committees and Public Accounts Committees that exhaust themselves at the end of the year. The reason may be, so far as Public Accounts Committee is concerned, that accounts are not and possibly cannot be ready in time for examination by the out-going Accounts Committee. May I suggest in this connection that early and effective steps may be taken to make the audit and appropriation reports available as soon as possible and not be delayed as at the present time, though possibly unavoidable under the circumstances. There is another suggestion that I want to make. If possible, the state of affairs in the year's finance should be brought home to the Assembly somewhat earlier in the sessions and we should not be left a bare week or less to study facts, eke out information and make up our minds upon the various difficult and intricate problems that confront us in connection with the Budget and the Finance Bill. I know that gambling and speculation and things of that description have to be guarded against. At the same time we ought to have the considered opinion of Government and its present and future expert advisers with regard to proposed and possible taxation. The difficulties which have been suggested are real and we ought to be assisted in getting over some way. If that is done there may be less desultory speculation debate. It is not at all wrong of us or any way derogatory to admit that it is not possible even with so-called statements and figures—bulky and intricate—placed before us in haste, to read them aright or to deduct correct conclusions or to challenge conclusions or to offer helpful constructive suggestions. The result of our uninformed and unassisted criticism is inaccuracies, misapprehensions and mistakes sometimes. The Retrenchment Committee is going to be appointed and we shall also soon have the new Finance Committee. Would it not be possible, I ask in all seriousness, to depute some financial and audit experts—capable, willing, experienced and impartial—

who would be able to help the Members of the Assembly and of these Committees with regard to difficult matters that they want to discuss and to have cleared up. It is not enough for the Department to place and press its case. The Government is having all the assistance they want—even extra assistance in Budget time—and they certainly ought to have it. But we also ought to have some sort of Braille system to assist our own admittedly and naturally blind vision.

**Mr. C. W. Rhodes** (Bengal European) : I consider myself fortunate that on the last occasion when I shall probably be able to speak in this House, I am able to join with all other parties in the House to express to the Honourable the Finance Member our appreciation of the skill and humour with which he has piloted this Finance Bill through the House and enhanced an already great reputation (Hear, hear.) I confess, Sir, that the Budget does not satisfy the European commercial community or is not likely to do so in one respect, that we are budgeting for a deficit and commercial men are always opposed to what is practically borrowing from the future. But I do not want to say too much on that point, because I feel that there is not a single man or a single party in the House who can throw a stone at the Honourable the Finance Member; I feel we have all helped. Sir, as regards the more general remarks I do not take the pessimistic view which has been expressed in certain quarters about the ability of this House to take a responsible view of the finances of the country. I have only been a Member for a very short time, long enough to make many friends and short enough to make no enemies. But, Sir, I shall leave it with the perfect confidence, with distinguished men all around me, that the finances of the Indian Empire are in perfectly safe hands.

**Sir Montagu Webb**: I should like to say one word in support of the motion before the House and that is this. I feel that, in considering this Finance Bill, we have not on the whole given the Finance Member the credit for the efforts which I am sure he must have made, without our assistance, to cut down expenditure. There seems to me to have been a tendency on the part of the House to regard the Finance Member as a financial profligate who was throwing money recklessly away in all directions, instead of which I expect he was in fact employing many private axes of his own, and cutting down every Department in every possible way.

Only in one matter do I venture to express regret, and that is in connection with the Honourable the Finance Member's reluctance to grapple with the problem of the foreign exchanges. I was unable yesterday to put my finger on the wise word of Professor Cassel; but with your permission I would like to read those words now:

> 'If we are true to ourselves we must feel that no one can really take the responsibility of abandoning all efforts and acquiescing in the present monetary confusion.'

I want to impress on this point that by budgeting for a deficit, as we are doing now, we are budgeting for a descent to bankruptcy: for if the Finance Member cannot cover this deficit, he must put forth more paper currency; he must borrow; he must have further losses in exchange; he must have another deficit.

I should like to impress upon this House that the first way to overcome the present difficulty is not to budget for a deficit but for a surplus. I sympathize with my friends on the left in their desire to impress retrenchment and economy upon Government, but there is an old proverb which says, 'There is no use in flogging a dead horse', and I think we might adapt it a little and say, 'There is not the slightest use in flogging a very willing horse', for we know that in the Honourable the Finance Member we have a friend of retrenchment and economy, who will do all in his power to economise. I think we might give him all the assistance we can to carry out that aim.

**The Honourable Sir Malcolm Hailey**: Sir Sivaswamy Aiyer has used very generous words in regard to the way in which this Bill had been conducted in the House by me. On me, Sir, falls simply the mechanical and by no means difficult task of presenting the case of Government to the Assembly, of delivering a certain number of speeches, perhaps far too many, on the points which come up for discussion and of attempting to meet the criticisms levelled at our proposals. But of all the financial operations of Government, probably the mere task of presenting a Bill of this nature to the House is the easiest. Behind me there stand a number of men on whom falls the real burden of the year's work. (Hear, hear.) I cannot express sufficiently my obligations—though my obligations are of small moment—but the obligations of the country to the men in our Finance, Accounts and Currency

Departments. I shall say no more on that point, Sir, I know the House feels with me there.

Well, Sir, so much for the purely personal part. If I speak of it shortly and lightly, do not let the House assume for one moment that I do not appreciate very highly indeed what my friends here have so kindly said. As to the Bill itself, I cannot of course be expected to accept with equanimity the fact that the House has taken the view that our taxation must be redueed by some 8 or 9 crores of rupees. We had to face a somewhat desperate state of affairs. It was my duty – it would be in a similar case the duty of every Finance Member – to comply with the essential requirements of the situation, and place before the country proposals by which its revenues could be made to balance its expenditure. I share with Sir Montagu Webb and Mr. Rhodes, the profoundest apprehension at the prospect of having to face a deficit of over nine crores during the current year. Our feet are on the slippery slope; it is difficnlt to know whether we may be able to prevent ourselves from descending that slope all too rapidly and with fatal results to the country. I have described our attitude. What has been that of the House? The House has considered it necessary to deprive us of a large portion of the means for which we asked, because it believed that by doing so it could bring pressure to bear on us for greater economy in other directions. I am not going to criticise further that attitude of the House. It has made its decision, I deplore it, for I do not believe but that it is the best decision. But now that I am asking the House to pass the Bill providing for such additions to our resources as remain unaffected by its previous voting, it would avail little to attack its general attitude on the subject. I will only say I cannot myself foresee with any clearness or confidence what will be the result of the action that the House has now taken. In saying this, let me make one point clear. If in a moment of what Sir Sivaswamy Aiyer described as temporary irritation, but which I cannot recognise as such, for I regard what I said merely as a serious and friendly warning, I spoke on the 7th of March to the House regarding the possible political results of its action, I speak now entirely of the financial results of such action. Sir, they are likely to be grave, and I do not know how we shall surmount them. I can only leave the matter at that.

As for our hesitating to use resources which you have given us, in the manner which is allowed by the Government of India Act, there my answer to Mr. Ginwala is clear. India has no Militia Act; there is no Statute in India which forbids Government to maintain a Standing Army. We do not, as he said, 'hand over money to the army', but keep it entirely in our own control. I do not think that the House will really sympathise with Mr. Ginwala in the suggestion that we are committing an illegal act if we continue to maintain a standing army, apart from the question of the scale on which we maintain it.

As to the other points, perhaps I had better not detain the House, as it has other business before it; let me only say that while I appreciate very highly what my friends here have said, in reference to my attitude during these debates, I in my turn can only say that the process of this Bill has been a period of some enjoyment—not a pleasure because of its results—to me. It would be a faint heart that was apprehensive of debate. My friends here had many criticisms to bring against us; they had much to say of our sins of commission and omission. They have not directed their remarks to deaf ears. I knew the difficulties of the House; I knew that they were faced with a situation which for them was not only an exceedingly difficult one but one which they felt to be full of danger to the country itself. I appreciate that. I do not think Government in dealing with it ever will lose sight of serious considerations of that nature. (Hear, hear.) May I, in return to the compliment which has been paid to me, address my own assurance to the House. We have spoken a good many trong swords to each other. But, whatever our differences and views, I think we and the House together have throughout been actuated only by one feeling. We have both desired to the best of our consciences and to the best of our abilities to find the solution of a difficult situation – the solution which both we and you, though differing in our view as to the method, believed to be the best for India. (Hear, hear.)

**Mr. President:** The question is:

**'That the Bill be passed.'**

**The motion was adopted.**

[AS PASSED IN THE LEGISLATIVE ASSEMBLY.]

*A Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.*

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax; It is hereby enacted as follows:—

Short title, extent and duration.

**1.** (*1*) This Act may be called the Indian Finance Act, 1922.

(*2*) It extends to the whole of British India, including the Sonthal Parganas and, except as regards section 5, British Baluchistan.

(*3*) Sections 2, 4 and 7 shall remain in force only up to the 31st day of March, 1923.

Enhancement of salt duty.

**2.** With effect from the first day of March, 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section. XII of 1882.

Amendment of Act VIII of 1894.

**3.** (*1*) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained in the First Schedule to this Act shall be substituted. VIII of 1894.

(*2*) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the First Schedule to that Act shall be repealed. VI of 1921.

Amendment of Act VI of 1898.

**4.** With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act. VI of 1898.

Imposition of excise duty on kerosene.

**5.** With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and collection of an excise duty on motor spirit, that is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were references to kerosene: II of 1917.

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

*Explanation.*—For the purposes of this section, "kerosene" means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons but excluding motor spirit) which—

(*a*) is made from petroleum as defined in section 2 of the Indian Petroleum Act, 1899, and VIII of 1899.

(*b*) is intended to be, or is ordinarily, used in liquid form for purposes of illumination.

Amendment of Act XLV of 1920.

**6.** In sub-section (*3*) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure "1921" the figure "1923" shall be substituted and shall be deemed to have been substituted with effect from the first day of April, 1921. XLV of 1920.

Income-tax and super-tax.

**7.** (*1*) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of the Third Schedule.

(*2*) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule. XI of 1922.

(*3*) For the purposes of the Third Schedule "total income" means total income as defined in clause (*15*) of section 2 of the Indian Income-tax Act, 1922. XI of 1922.

Repeal of Act XIII of 1917.

**8.** With effect from the first day of April, 1922, the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, shall be repealed. XIII of 1917.

It is hereby declared that it is expedient in the public interest that this Bill should have temporary effect under the provisions of the Provisional Collection of Taxes Act, 1918. XVI of 1918.

## SCHEDULE I.

Schedule to be substituted in the Indian Tariff Act, 1894.

[*See section 3 (1).*]

"SCHEDULE II—IMPORT TARIFF.

PART I.

Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 1 | HOPS. |
| 2 | SALT imported into British India and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in any process of manufacture; also salt imported into the port of Calcutta and issued with the sanction of the Government of Bengal to manufacturers of glazed stone-ware; also salt imported into any port in the provinces of Bengal and Bihar and Orissa and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in curing fish in those provinces. |
| | (For the general duty on salt, *see* No. 35.) |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | HIDES AND SKINS, RAW. |
| 3 | HIDES AND SKINS, raw or salted. |
| | METALLIC ORES. |
| 4 | METALLIC ORES, all sorts. |
| | PRECIOUS STONES AND PEARLS. |
| 5 | PRECIOUS STONES, unset and imported uncut, and PEARLS, unset. |
| | SEEDS. |
| 6 | OIL-SEEDS imported into British India by sea from the territories of any Prince or Chief in India. |
| | TEXTILE MATERIALS. |
| 7 | COTTON, raw. |
| 8 | WOOL, raw, and WOOL-TOPS. |
| | MISCELLANEOUS. |
| 9 | MANURES, all sorts, including animal bones and the following chemical manures:—Basic slag, nitrate of ammonia, nitrate of soda, muriate of potash, sulphate of ammonia, sulphate of potash, kainit salts, nitrate of lime, calcium cyanamide, mineral phosphates and mineral superphosphates. |
| 10 | PULP OF WOOD, RAGS and other paper-making materials. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 11 | UNIFORMS AND ACCOUTREMENTS appertaining thereto, imported by a public servant for his personal use. |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 12 | The following ARMS, AMMUNITION AND MILITARY STORES:— |
| | (*a*) Articles falling under the 5th, 6th, 8th, 9th or 10th item of No. 42, when they appertain to a firearm falling under the 1st or 3rd item and are fitted into the same case with such firearm. |
| | (*b*) Arms forming part of the regular equipment of a commissioned or gazetted officer in His Majesty's Service entitled to wear diplomatic, military, naval, Royal Air Force or police uniform. |

## SCHEDULE II—IMPORT TARIFF.

### PART I—*contd.*

### Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | (*c*) A revolver and an automatic pistol and ammunition for such revolver and pistol up to a maximum of 100 rounds per revolver or pistol, (*i*) when accompanying a commissioned officer of His Majesty's regular forces, or of the Indian Auxiliary Force or the Indian Territorial Force or a gazetted police officer, or (*ii*) certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, or, in the case of a police officer, by an Inspector General or Commissioner of Police, to be imported by the officer for the purpose of his equipment. |
| | (*d*) Swords for presentation as army or volunteer prizes. |
| | (*e*) Arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a State in India which may be maintained and organized for Imperial Service. |
| | (*f*) Morris tubes and patent ammunition imported by officers commanding British and Indian regiments or volunteer corps for the instruction of their men. |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 13 | ANTI-PLAGUE SERUM. |
| 14 | QUININE and other alkaloids of cinchona. |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 15 | The following AGRICULTURAL IMPLEMENTS, namely, winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed-crushers, chaff-cutters, root-cutters, ensilage-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders, and rakes; also agricultural tractors; also component parts of these implements or tractors, provided that they can be readily fitted into their proper places in the implements or tractors for which they are imported, and that they cannot ordinarily be used for purposes unconnected with agriculture. |
| 16 | The following DAIRY APPLIANCES, namely, cream separators, milk sterilizing or pasteurizing plant, milk aërating and cooling apparatus, churns, butter dryers, and butter workers; also component parts of these appliances, provided that they can be readily fitted into their proper places in the appliances for which they are imported, and that they cannot ordinarily be used for other than dairy purposes. |
| 17 | INSTRUMENTS, APPARATUS and APPLIANCES, imported by a passenger as part of his personal baggage and in actual use by him in the exercise of his profession or calling. |
| 18 | WATER-LIFTS, SUGAR-MILLS, OIL-PRESSES, and parts thereof, when constructed so that they can be worked by manual or animal power. |
| | METALS. |
| 19 | CURRENT NICKEL, BRONZE, AND COPPER COIN of the Government of India. |
| 20 | GOLD AND SILVER BULLION and coin. |
| | PAPER. |
| 21 | TRADE CATALOGUES AND ADVERTISING CIRCULARS imported by packet, book, or parcel post. |
| | YARNS AND TEXTILE FABRICS. |
| 22 | SECOND-HAND OR USED GUNNY BAGS made of jute. |
| | MISCELLANEOUS. |
| 23 | ART, the following works of:—(1) statuary and pictures intended to be put up for the public benefit in a public place, and 2) memorials of a public character intended to be put up in a public place, including the materials used, or to be used in their construction, whether worked or not. |
| 24 | Books printed, including covers for printed books, maps, charts, and plans, proofs, music and manuscripts. |
| | **IV.—Miscellaneous and unclassified—** |
| 25 | ANIMALS, living, all sorts. |
| 26 | SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, and medals and antique coins." |

## SCHEDULE II—IMPORT TARIFF.

### PART II.

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | **I.—Food, Drink and Tobacco—** | | R A. |
| | FISH. | | |
| 27 | FISH, SALTED, wet or dry . . . . | Indian maund of 82⅔ lbs. avoirdupois weight. | Such rate or rates of duty not exceeding one rupee as the Governor General in Council may, by notification in the Gazette of India, from time to time, prescribe. |
| | LIQUORS. | | |
| 28 | ALE, Beer, Porter, Cider and other fermented liquors. | Imperial gallon or 6 quart bottles. | Eight annas. |
| 29 | SPIRIT, which has been rendered effectually and permanently unfit for human consumption. | *Ad valorem* . . | 7½ per cent. |
| 30 | PERFUMED SPIRITS . . . . . | Imperial gallon or 6 quart bottles. | 36 0 |
| 31 | LIQUEURS, Cordials, Mixtures and other preparations containing spirit— | | |
| | (*a*) Entered in such a manner as to indicate that the strength is not to be tested. | Ditto. | 30 0 |
| | (*b*) If tested . . . . . | Imperial gallon or 6 quart bottles of the strength of London proof. | 21 14 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof. |
| 32 | All other sorts of SPIRIT . . . . | Ditto. | Ditto. |
| 33 | WINES— | | |
| | Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit. | Imperial gallon or 6 quart bottles. | 9 0 |
| | All other sorts of wines not containing more than 42 per cent. of proof spirit: | Ditto. | 4 8 |
| | Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to 'All other sorts of Spirit.' | | |
| | SUGAR. | | |
| 34 | SUGAR, all sorts including molasses and saccharine produce of all sorts, but excluding confectionery (*see* No. 124). | *Ad valorem* . . | 25 per cent. |
| | OTHER FOOD AND DRINK. | | |
| 35 | SALT, excluding salt exempted under No. 2 . | Indian maund of 82⅔ lbs. avoirdupois weight. | The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place. |
| | TOBACCO. | | |
| 36 | TOBACCO, unmanufactured . . . . | Pound . . . | 1 0 |
| 37 | CIGARS AND CIGARETTES . . . . . | *Ad valorem* . . | 75 per cent. |
| 38 | All other sorts of TOBACCO manufactured . | Pound . . . | 2 4 |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*contd.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. | |
|---|---|---|---|---|
| | | | R A. | |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** | | | |
| | COAL, COKE AND PATENT FUEL. | | | |
| 39 | COAL, COKE AND PATENT FUEL . . . | Ton . . . | 0 8 | |
| | OILS. | | | |
| 40 | KEROSENE and MOTOR SPIRIT; also any mineral oil other than kerosene and motor spirit which has its flashing point below one hundred degrees of Fahrenheit's thermometer by Abel's close test.<br>NOTE.—Motor spirit is liable to an additional duty of 6 annas per gallon under Act II of 1917, as amended by Act III of 1919. | Imperial gallon . | Two annas and six pies. | |
| 41 | MINERAL OIL which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is such as is not ordinarily used for any other purpose than for the batching of jute or other fibre, or for lubrication, and mineral oil which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose. | *Ad valorem* . . | 7½ per cent. | |
| | **III.—Articles wholly or mainly manufactured—** | | | |
| | ARMS, AMMUNITION AND MILITARY STORES. | | | |
| 42 | Subject to the exemptions specified in No. 12— | | R | |
| | (1) Firearms other than pistols, including gas and air-guns and rifles. | Each . . . | 15 | or 30 per cent. *ad valorem*, whichever is higher. |
| | (2) Barrels for the same, whether single or double. | „ . . . | 15 | |
| | (3) Pistols, including automatic pistols and revolvers. | „ . . . | 15 | |
| | (4) Barrels for the same, whether single or double. | „ . . . | 15 | |
| | (5) Main springs and magazine springs for firearms, including gas-guns and rifles. | „ . . . | 5 | |
| | (6) Gun stocks and breech blocks . . . | „ . . . | 3 | |
| | (7) Revolver-cylinders, for each cartridge they will carry. | „ . . . | 2 | |
| | (8) Actions (including skeleton and waster) breech bolts and their heads, cocking pieces, and locks for muzzle loading arms. | „ . . . | 1 | |
| | (9) Machines for making, loading, or closing cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. | |
| | (10) Machines for capping cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. | |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*concld.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | | | R A. |
| | CHEMICALS, DRUGS AND MEDICINES. | | |
| 43 | Opium and its alkaloids and their derivatives. | Seer of 80 tolas . | 24 0 |
| | YARNS AND TEXTILE FABRICS. | | |
| 44 | COTTON TWIST AND YARN, and COTTON SEWING or DARNING THREAD. | *Ad valorem* . . | 5 per cent. |
| 45 | COTTON PIECE-GOODS . . . . . | *Ad valoren* . . | 11 per cent. |
| | MISCELLANEOUS. | | |
| 46 | Matches— | | R A. |
| | (1) In boxes containing on the average not more than 100 matches. | Per gross of boxes . | 1 8 |
| | (2) In boxes containing on the average more than 100 matches. | For every 25 matches or fraction thereof in each box, per gross of boxes. | 0 6 |

## SCHEDULE II—IMPORT TARIFF.

### PART III.

Articles which are liable to duty at 2½ per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | GRAIN, PULSE AND FLOUR. |
| 47 | GRAIN AND PULSE, all sorts, including broken grains and pulse, but excluding flour (*see* No. 68). |
| | PROVISIONS AND OILMAN'S STORES. |
| 48 | VINEGAR in casks. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | WOOD AND TIMBER. |
| 49 | FIREWOOD. |
| | **III.—Articles wholly or mainly manufactured—** |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 50 | COPPERAS, green. |
| | MACHINERY. |
| 51 | MACHINERY, namely, prime-movers and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire engines, motor tractors designed for purposes other than agriculture, and other machines in which the prime-mover is not separable from the operative parts.<br><br>MACHINERY (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which, before being brought into use, require to be fixed with reference to other moving parts; and including belting of all materials for driving machinery:<br><br>Provided that the term does not include tools and implements to be worked by manual or animal labour and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose.<br><br>*Note.*—This entry includes machinery and component parts thereof made of substances other than metal. |
| | METALS OTHER THAN IRON AND STEEL. |
| 52 | LEAD sheets, for tea-chests. |
| | MISCELLANEOUS. |
| 53 | AEROPLANES, aeroplane parts, aeroplane engines and aeroplane engine parts. |
| 54 | PRINTING AND LITHOGRAPHING MATERIAL, namely, presses, type, ink, aluminium lithographic plates, brass rules, composing sticks, chases, imposing tables, and lithographic stones, stereo-blocks, wood blocks, half tone blocks, electrotype blocks, roller moulds, roller frames and stocks, roller composition, standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead and rule cutters, type casting machines, type setting and casting machines, rule bending machines, rule mitreing machines, bronzing machines, leads, wooden and metal quoins, shooting sticks and galleys, stereotyping apparatus, metal furniture, paper folding machines, and paging machines, but excluding paper (*see* No. 99). |
| 55 | RACKS for the withering of tea leaf. |
| 56 | TEA-CHESTS of metal or wood, whether imported entire or in sections, provided that the Collector of Customs is satisfied that they are imported for the purpose of the packing of tea for transport in bulk. |
| 57 | FODDER, BRAN AND POLLARDS. |

## SCHEDULE II—IMPORT TARIFF.

### PART IV.

### Articles which are liable to duty at 10 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | METALLIC ORES AND SCRAP IRON OR STEEL FOR RE-MANUFACTURE. |
| 58 | IRON OR STEEL, old. |
| | **III.—Articles wholly or mainly manufactured—** |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 59 | TELEGRAPHIC INSTRUMENTS AND APPARATUS, and parts thereof imported by, or under the orders of railway company. |
| | METALS—IRON AND STEEL. |
| 60 | IRON, angle. |
| | „ bar, rod and channel, including channel for carriages. |
| | „ pig. |
| | „ rice bowls. |
| 61 | IRON OR STEEL, anchors and cables. |
| | „ „ beams, joists, pillars, girders, screw piles, bridge work and other descriptions of iron or steel, imported exclusively for building purposes; including also ridging, guttering and continuous roofing. |
| | „ „ bolts and nuts, including hook-bolts and nuts for roofing. |
| | „ „ hoops and strips. |
| | „ „ nails, rivets and washers, all sorts. |
| | „ „ pipes and tubes and fittings therefor, such as bends, boots, elbows, tees, sockets, flanges and the like. |
| | „ „ rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes) switches and crossings, other than those described in No. 63, also lever-boxes, clip and tie-bars. |
| | „ „ sheets and plates, all sorts excluding discs and circles which are dutiable under No. 97. |
| | „ „ wire, including fencing wire, piano-wire and wire-rope, but excluding wire-netting which is dutiable under No. 97. |
| 62 | STEEL, angle. |
| | „ bar, rod, and channel, including channel for carriages. |
| | „ cast, including spring blistered and tub steel. |
| | „ ingots, blooms, billets and slabs. |
| | RAILWAY PLANT AND ROLLING-STOCK. |
| 63 | RAILWAY MATERIALS for permanent-way and rolling-stock, namely, cylinders, girders, and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, wagons, traversers, trollies, trucks, and component parts thereof; also the following articles when imported by, or under the orders of, a railway company, namely, cranes, water cranes, water tanks, and standards, wire and other materials for fencing : |
| | Provided that for the purpose of this entry ' railway ' means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a State in India and also such tramways as the Governor General in Council may, by notification in the Gazette of India, specifically include therein : |
| | Provided also that only such articles shall be admitted as component parts of railway material as are indispensable for the working of railways, and are, owing to their shape or to other special quality, not adapted for any other purpose. |
| 64 | SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, launches, boats and barges imported entire or in sections. |

## SCHEDULE II—IMPORT TARIFF.

### PART V.

Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | FISH. |
| 65 | FISH, excluding salted fish (*see* No. 27). |
| 66 | FISHMAWS, including singally and sozille, and sharkfins. |
| | FRUITS AND VEGETABLES. |
| 67 | FRUITS AND VEGETABLES, all sorts, fresh, dried, salted or preserved. |
| | GRAIN, PULSE AND FLOUR. |
| 68 | FLOUR. |
| | PROVISIONS AND OILMAN'S STORES. |
| 69 | PROVISIONS AND OILMAN'S STORES AND GROCERIES, all sorts, excluding vinegar in casks (*see* No. 48). |
| | SPICES. |
| 70 | SPICES, all sorts. |
| | TEA. |
| 71 | TEA. |
| | OTHER FOOD AND DRINK. |
| 72 | COFFEE. |
| 73 | All other sorts of Food and Drink not otherwise specified. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | GUMS, RESINS AND LAC. |
| 74 | GUMS, RESINS AND LAC, all sorts. |
| | OILS. |
| 75 | All sorts of animal, essential, mineral, and vegetable non-essential oils not otherwise specified (*see* Nos. 40 and 41). |
| | SEEDS. |
| 76 | SEEDS, all sorts, excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (*see* No. 6). |
| | TALLOW, STEARINE AND WAX. |
| 77 | TALLOW AND STEARINE, including grease and animal fat, and wax of all sorts not otherwise specified. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | TEXTILE MATERIALS. |
| 78 | TEXTILE MATERIALS, the following :— |
| | Silk waste, and raw silk including cocoons, raw flax, hemp, jute and all other unmanufactured textile materials not otherwise specified. |
| | WOOD AND TIMBER. |
| 79 | WOOD AND TIMBER, all sorts, not otherwise specified, including all sorts of ornamental wood. |
| | MISCELLANEOUS. |
| 80 | CANES AND RATTANS. |
| 81 | COWRIES and SHELLS. |
| 82 | IVORY, unmanufactured. |
| 83 | PRECIOUS STONES, unset and imported cut (*see* No. 5). |
| 84 | All other raw materials and produce and articles mainly unmanufactured, not otherwise specified. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 85 | APPAREL, including drapery, boots and shoes, and military and other uniforms and accoutrements, but excluding uniforms and accoutrements exempted from duty under No. 11 and gold and silver thread (*see* Nos. 132 and 133), and articles made of silk (*see* No. 134). |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 86 | EXPLOSIVES, namely, blasting gunpowder, blasting gelatine, blasting dynamite, blasting roburite, blasting tonite, and all other sorts, including detonators and blasting fuze. |
| | CARRIAGES AND CARTS. |
| 87 | CARRIAGES AND CARTS, including tram cars, motor-omnibuses, motor-lorries, motor-vans, jinrikshas, bath-chairs, perambulators, trucks, wheel barrows, and all other sorts of conveyances not otherwise specified, and such component parts and accessories thereof, as are not also adapted for use as parts or accessories of motor-cars, motor-cycles, motor-scooters, bicycles or tricycles (*see* No. 127). |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 88 | CHEMICALS, DRUGS AND MEDICINES, all sorts, not otherwise specified. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 89 | CUTLERY, excluding plated cutlery (*see* No. 129). |
| 90 | HARDWARE, IRONMONGERY AND TOOLS, all sorts, not otherwise specified. |
| 91 | All other sorts of IMPLEMENTS, INSTRUMENTS, APPARATUS AND APPLIANCES and parts thereof, not otherwise specified. |
| | DYES AND COLOURS. |
| 92 | DYEING AND TANNING SUBSTANCES, all sorts, and paints and colours and painters' materials, all sorts. |
| | FURNITURE, CABINETWARE AND MANUFACTURES OF WOOD. |
| 93 | FURNITURE, CABINETWARE and all other manufactures of wood not otherwise specified. |
| | GLASSWARE AND EARTHENWARE. |
| 94 | GLASS AND GLASSWARE, lacquered ware, earthenware, china and porcelain; all sorts except glass bangles and beads and false pearls (*see* No. 131). |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | HIDES AND SKINS AND LEATHER. |
| 95 | HIDES AND SKINS not otherwise specified, LEATHER AND LEATHER MANUFACTURES, all sorts, not otherwise specified. |
| | MACHINERY. |
| 96 | MACHINERY AND COMPONENT PARTS thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified (*see* Nos. 15, 16 and 18). |
| | METALS—IRON AND STEEL. |
| 97 | All sorts of IRON AND STEEL and manufactures thereof, not otherwise specified. |
| | METALS OTHER THAN IRON AND STEEL. |
| 98 | All sorts of METALS OTHER THAN IRON AND STEEL, and manufactures thereof, not otherwise specified. |
| | PAPER, PASTEBOARD AND STATIONERY. |
| 99 | PAPER AND ARTICLES MADE OF PAPER AND PAPIER MACHÉ, PASTEBOARD, MILLBOARD, AND CARDBOARD, all sorts, and STATIONERY, including ruled or printed forms and account and manuscript books, drawing and copy books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also wastepaper and old newspapers for packing, but excluding trade catalogues and advertising circulars imported by packet, book, or parcel post (*see* No. 21). |
| | YARNS AND TEXTILE FABRICS. |
| 100 | YARNS AND TEXTILE FABRICS, that is to say:— |
| | Cotton thread other than sewing or darning thread, and all other manufactured cotton goods not otherwise specified. |
| | Flax, twist and yarn, and manufactures of flax. |
| | Haberdashery and millinery, excluding articles made of silk (*see* No. 134). |
| | Hemp manufactures. |
| | Hosiery, excluding articles made of silk (*see* No. 134). |
| | Jute, twist and yarn, and jute manufactures, excluding secondhand or used gunny bags (*see* No. 22). |
| | Silk yarn, noils and warps and silk thread. |
| | Woollen yarn, knitting wool, and other manufactures of wool, including felt. |
| | All other sorts of yarns and textile fabrics, not otherwise specified. |
| | MISCELLANEOUS. |
| 101 | ART, works of, excluding those specified in No. 23. |
| 102 | BRUSHES AND BROOMS. |
| 103 | BUILDING AND ENGINEERING MATERIALS, including asphalt, bricks, cement, chalk and lime, clay, pipes of earthenware, tiles, and all other sorts of building and engineering materials not otherwise specified. |
| 104 | CANDLES. |
| 105 | CINEMATOGRAPH FILMS. |
| 106 | CORDAGE AND ROPE AND TWINE OF VEGETABLE FIBRE. |
| 107 | FURNITURE, TACKLE AND APPAREL, not otherwise described, for steam, sailing, rowing and other vessels. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*concld.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| 108 | MATS AND MATTING. |
| 109 | OILCAKES. |
| 110 | OILCLOTH AND FLOOR CLOTH. |
| 111 | PACKING—ENGINE AND BOILER—all sorts, excluding packing forming a component part of any article included in Nos. 51 and 63. |
| 112 | PERFUMERY, not otherwise specified. |
| 113 | PITCH, TAR AND DAMMER. |
| 114 | POLISHES AND COMPOSITIONS. |
| 115 | RUBBER tyres and other manufactures of rubber, not otherwise specified (*see* No. 139). |
| 116 | SOAP. |
| 117 | STARCH AND FARINA. |
| 118 | STONE AND MARBLE, and articles made of stone and marble. |
| 119 | TOILET REQUISITES, not otherwise specified. |
| 120 | All other articles wholly or mainly manufactured, not otherwise specified. |
| | **IV.—Miscellaneous and unclassified—** |
| 121 | CORAL. |
| 122 | UMBRELLAS, INCLUDING PARASOLS AND SUNSHADES, AND FITTINGS THEREFOR. |
| 123 | All other articles not otherwise specified, including articles imported by post. |

## SCHEDULE II—IMPORT TARIFF.

### PART VI.

### Articles which are liable to duty at 30 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 124 | CONFECTIONERY. |
| | **II.—Articles wholly or mainly manufactured—** |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 125 | GUNPOWDER FOR CANNONS, rifles, guns, pistols and sporting purposes. |
| 126 | Subject to the exemptions specified in No. 12 all articles other than those specified in entry No. 42 which are arms or parts of arms within the meaning of the Indian Arms Act, 1878 (excluding springs used for air-guns which are dutiable as hardware under No. 90), all tools used for cleaning or putting together the same, all machines for making, loading, closing or capping cartridges for arms other than rifled arms and all other sorts of ammunition and military stores, and any articles which the Governor General in Council may, by notification in the Gazette of India, declare to be ammunition or military stores for the purposes of this Act. |
| | CARRIAGES AND CARTS. |
| 127 | MOTOR CARS, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 87 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 128 | CLOCKS AND WATCHES AND PARTS THEREOF. |
| 129 | ARTICLES PLATED WITH GOLD AND SILVER. |
| 130 | MUSICAL INSTRUMENTS. |
| | GLASSWARE AND EARTHENWARE. |
| 131 | GLASS BANGLES and BEADS and false pearls. |
| | METALS. |
| 132 | GOLD PLATE, gold thread and wire, and gold manufactures, all sorts. |
| 133 | SILVER PLATE, silver thread and wire, and silver manufactures, all sorts. |
| | YARNS AND TEXTILE FABRICS. |
| 134 | SILK PIECE-GOODS, and other manufactures of silk. |
| | MISCELLANEOUS. |
| 135 | FIRE-WORKS. |
| 136 | IVORY, manufactured. |
| 137 | JEWELLERY AND JEWELS. |
| 138 | PRINTS, engravings and pictures, including photographs and picture postcards. |
| 139 | PNEUMATIC RUBBER TYRES AND TUBES for motor cars, motor lorries, motor cycles, motor scooters, bicycles and tricycles. |
| 140 | SMOKERS' REQUISITES, excluding tobacco (Nos. 36 to 38) and matches (No. 46). |
| 141 | TOYS, games, playing cards and requisites for games and sports, including bird-shot. |

## SCHEDULE II.

Schedule to be inserted in the Indian Post Office Act, 1898.

(*See section 4.*)

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(*See section 7.*)

*Letters.*

| | |
|---|---|
| For a weight not exceeding two and a half tolas | One anna. |
| For every two and a half tolas, or fraction thereof, exceeding two and a half tolas | One anna. |

*Postcards.*

| | |
|---|---|
| Single | Half an anna. |
| Reply | One anna. |

*Book, Pattern and Sample Packets.*

| | |
|---|---|
| For every five tolas or fraction thereof | Half an anna. |

*Registered Newspapers.*

| | |
|---|---|
| For a weight not exceeding eight tolas | Quarter of an anna. |
| For a weight exceeding eight tolas and not exceeding twenty tolas | Half an anna. |
| For every twenty tolas, or fraction thereof, exceeding twenty tolas | Half an anna. |

*Parcels.*

| | |
|---|---|
| For a weight not exceeding twenty tolas | Two annas. |
| For a weight exceeding twenty tolas and not exceeding forty tolas | Four annas. |
| For every forty tolas, or fraction thereof, exceeding forty tolas | Four annas." |

## SCHEDULE III.

(*See section 7.*)

PART I.

*Rates of Income-tax.*

| | Rate. |
|---|---|
| A. In the case of every individual, every unregistered firm and every undivided Hindu family— | |
| (1) When the total income is less than Rs. 2,000 | *Nil.* |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupee. |
| B. In the case of every company, and every registered firm, whatever its total income | One anna and six pies in the rupee. |

PART II.

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income :—

| | Rate. |
|---|---|
| (1) in the case of every company | One anna in the rupee. |
| (2) (*a*) in the case of every Hindu undivided family— | |
| (*i*) in respect of the first twenty-five thousand rupees of the excess. | *Nil.* |
| (*ii*) for every rupee of the next twenty-five thousand rupees of such excess | One anna in the rupee. |
| (*b*) in the case of every individual and every unregistered firm, for every rupee of the first fifty thousand rupees of such excess. | One anna in the rupee. |
| (*c*) in the case of every individual, every unregistered firm and every Hindu undivided family— | |
| (*i*) for every rupee of the second fifty thousand rupees of such excess | One and a half annas in the rupee. |
| (*ii*) for every rupee of the next fifty thousand rupees of such excess | Two annas in the rupee. |
| (*iii*) for every rupee of the next fifty thousand rupees of such excess | Two and a half annas in the rupee. |
| (*iv*) for every rupee of the next fifty thousand rupees of such excess | Three annas in the rupee. |

| | Rate. |
|---|---|
| (*v*) for every rupee of the next fifty thousand rupees of such excess . . | Three and a half annas in the rupee. |
| (*vi*) for every rupee of the next fifty thousand rupees of such excess . . | Four annas in the rupee. |
| (*vii*) for every rupee of the next fifty thousand rupees of such excess . . . | Four and a half annas in the rupee. |
| (*viii*) for every rupee of the next fifty thousand rupees of such excess . . | Five annas in the rupee. |
| (*ix*) for every rupee of the next fifty thousand rupees of such excess . . . | Five and a half annas in the rupee. |
| (*x*) for every rupee of the remainder of the excess . . . . . | Six annas in the rupee. |

## PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Thursday, 23rd March, 1922.*

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

### INDIAN FINANCE BILL.

The SECRETARY OF THE COUNCIL: Sir, in accordance with Rule 25 of the Indian Legislative Rules, I lay on the table a Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, which was passed by the Legislative Assembly at its meeting on the 22nd March 1922.

The HONOURABLE MR. E. M. COOK: Sir, I am handing in the following notice to the Secretary which, with your permission, I should like to read out:

'I beg to give notice that, subject to the permission of the Honourable the President, I intend to motive at the next meeting of the Council that the Finance Bill, 1922, as amended by the Legislative Assembly, be taken into consideration.'

There was some discussion, Sir, yesterday morning about the date on which this Bill would be taken up, and you were pleased to take the feeling of the House on the subject. I think the general feeling was that, provided the Bill was in the hands of Honourable Members last night, there would probably be no objection on the part of the House, and assuming that if you also had no objection, it should be put on the list of business for Friday (to-morrow). I beg to suggest that that be done. I believe the Bill was in the hands of Honourable Members last night.

The HONOURABLE THE PRESIDENT: I take it that course commends itself to the Council generally.

HONOURABLE MEMBERS: Yes, Sir.

The HONOURABLE THE PRESIDENT: That being so, I certainly have no objection, and the Bill will be taken to-morrow. Of course, the rule as to amendments must be relaxed at the same time.

The HONOURABLE MR. E. M. COOK: If Honourable Members can find it possible to give me private warning of any amendments, I shall be obliged.

The HONOURABLE MR. LALUBHAI SAMALDAS: That we will do.

The HONOURABLE THE PRESIDENT: That will be convenient. The rule must be definitely relaxed. The Council stands adjourned till to-morrow at 11 o'clock.

The Council adjourned till Friday, the 24th March, 1922, at Eleven of the Clock.

ROYAL ASIATIC SOCIETY LIBRARY OF THE BOMBAY BRANCH OF THE

## PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Friday, 24th March, 1922.*

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

### INDIAN FINANCE BILL.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, as passed by the Legislative Assembly, be taken into consideration.

The object of this Bill, Sir, is to place the Governor General in Council in funds to meet the cost of the administration during the coming year, and its necessity arises from the deficit in the State's resources, as shown in the estimates of revenue and expenditure which were submitted to the Legislature on March the 1st. I think all Honourable Members know that the Bill, as it has come up to us, has arrived in a somewhat truncated form, and that there are some substantial omissions in it, as compared with the form in which it was introduced in the other House. When the Bill was circulated to Honourable Members two days ago, there was circulated with it a printed memorandum which showed the effect of those reductions upon the taxation as originally proposed, and it may be convenient if I now summarise very briefly the position of Government as it now stands with reference to the resources available for next year. Now, the extra taxation proposed by Government on March the 1st left, as Honourable Members will remember, an uncovered deficit next year of 271 lakhs, apart from any additional, though, at present, indeterminate expenditure that may have to be incurred in respect of Waziristan. Honourable Members will have seen from that printed memorandum that the Assembly has reduced that taxation by a total amount of 956 lakhs, although, as against this, there will be an improvement in our revenue position for next year by an amount of about 302 lakhs owing to the suspension of the operation of section 13 (*3*) of the Paper Currency Act, which, Honourable Members will see, is provided for in clause 6 of the Bill now before us. On the other hand, the result of the omissions made in the other House will be that we shall have to make refunds in respect of taxes which have already been collected since the 1st of March, and probably those refunds, which will, I expect, be paid next month, will amount to about 85 lakhs. Finally, on the expenditure side, during the voting of supply, the Assembly made reductions in the estimates of expenditure amounting to about 94 or 95 lakhs. I cannot say if there will be actual savings of that amount. It may be that, under one or two heads, it may be necessary for Government to apply for a supplementary grant from the Assembly later in the year, but, for present purposes, let us assume that those reductions will be made. The net result of all these variations is that there remains an uncovered deficit of 916 lakhs, apart from any additional liability on account of Waziristan, to which I have already alluded.

I must say at once, Sir, and indeed it must be apparent to all Honourable Members, that the position so created is a serious one, and one which justifies the entertainment of considerable apprehension regarding our financial administration next year. That perhaps may seem a serious statement to make, but I make it deliberately. I need not go over the ground which the Honourable the Finance Member covered in his Budget speech, regarding the way in which we have been financing a series of deficits and the grave results which must inevitably ensue if that process is continued much longer. I will only say, Sir, that neither here nor in any other place have I heard that statement of the position seriously disputed. On the contrary, such comments as have come to my hearing or notice have emphasised the danger of continuing to tread that path.

Now, it may be said that an uncovered deficit of 916 lakhs is a very different thing from an uncovered deficit of about 32 crores, which was the

amount shown by the estimates of revenue and expenditure, apart from the extra taxation proposed. I admit that. At the same time, I venture to think that that difference is one only of degree. The financing of a deficit of 32 crores has of course only got to be mentioned to be dismissed at once as an impracticable proposition. I do not go so far as to say that the financing of a deficit of 916 lakhs is impracticable, but I do venture to submit that it will impose a strain, possibly a severe strain, upon the resources of our financial administration. I fear that it may hamper our general Ways and Means arrangements; it may possibly affect the borrowing policy which we might otherwise be able to pursue, and I rather think that we shall be fortunate if it does not force us into undesirable expedients.

It may be that there are some Honourable Members here who do not agree with that statement of the position, and who may consider that I have rather exaggerated its seriousness. They may be inclined to dismiss this matter with a wave of the hand and say:

'Oh! well, you can find the money somehow; you can borrow it.'

I have no doubt, Sir, that we shall find the money somehow, and that, somehow or other, we shall borrow it, either from the public or from the Currency Reserve; but that does not alter by one iota the fact that the country is outrunning its income, not once in a way, but continuously, and I fear, on this particular occasion, with its eyes open. I think the position is essentially in no way different from that of a private individual who, so long as he can get the credit, endeavours to meet his current expenditure by an overdraft on the bank. There may be other Honourable Members who seek to minimise the difficulty by saying that the remedy lies in the hands of Government and that, by sweeping reductions and retrenchments in expenditure, most if not all of this uncovered deficit can be made to disappear. Those who hold that view may indeed go so far as rather to welcome this large uncovered deficit, as representing something which the country can hold *in terrorem* over Government in order to force a policy of retrenchment. Such people have before them the possibly not unattractive spectacle of an unwilling bureaucracy being forced to choose between insolvency and sweeping retrenchments, and having to bow to the popular will and make retrenchments.

Mr. President, I am afraid that I do not share the equanimity of those people who hold that view, and who console themselves by the spectacle of compulsory retrenchment, for any uneasiness that I rather suspect they may feel in their heart of hearts regarding our financial future. I admit, as I have already admitted very fully on one occasion in this Council this Session, that the financial position of the country is such as necessitates the undertaking of the most strenuous efforts in order to leave no stone unturned whereby a policy of economy, ruthless economy, and retrenchment can be translated into action. But what is the position? Does any one here seriously think that during the next twelve months it will be a practicable proposition to effect economies in the administration, in addition to the reductions already made by the Assembly, sufficient to produce something between Rs. 9 and 10 crores? If there be any such people I say they are harbouring a delusion. The Council will no doubt have read what the Honourable the Finance Member said recently elsewhere regarding the appointment of a Retrenchment Committee, a Committee with, we hope, a sufficiently strong personnel, of outstanding authority and weight, to be entrusted with the task of suggesting retrenchment in practically the whole field of our entire expenditure. If such a committee can be constituted, then I am quite sure, Sir, they will start their work with the united wishes of the Legislature and of the Government for their success. But I cannot imagine that, even if we had the most deadly axe ever forged and wielded by a Hercules, it would be possible to produce 9 or 10 crores sufficiently soon to have any substantial effect on our finances during the coming twelve months. I think, Sir, that the utmost that we can reasonably hope for is, that that Committee would be able to suggest to Government, apart of course from mere economies, such changes in methods or even in policy as may ultimately result in a definite lowering of our present general scale of expenditure in various directions. If so, and if those changes come into operation, then we may hope that their result will be apparent in a steadily decreasing scale of expenditure. But I venture to submit to this Council, as a body of practical men, whether you can by a mere stroke of the pen dismiss establishments, or absorb them in other establishments, or make immediate and sudden changes of policy or methods such as will bridge this gap either in the coming year or even in the next. If I am right in thinking that, then I submit that, taking even an optimistic view of the possibilities of retrenchment, it will be unsafe and dangerous to rely to any material extent on this method for enabling us to get through our financial difficulties during the coming year.

I have spoken, Mr. President, at some little length on this subject, because I think it is my duty to place before the Council the view that

the financial advisers of the Government take as regards the position created by the action of the other House. At the same time, as the House is aware, no notice has been sent in on behalf of Government, nor has any formal recommendation been made to this Council, to replace some or all of the items of taxation which have been cut out by the other House. It may, of course, be said that, in view of the position which has been created, there are ready to hand certain other powers, certain other means of removing those difficulties. That is not a financial matter, and hardly falls within my province; but it is obvious to every one that the use of those methods would carry with it certain implications which, I believe, it is the anxiety, not only of Government but of all moderate sections of opinion in the country, to avoid if at all possible. But if those reductions had been carried any further, then I think it would have been a matter for consideration whether the price of avoiding those implications might not be too great. I cannot, therefore, Mr. President, pretend that in its present form the Bill is a satisfactory one. It does not give us, indeed it scarcely pretends to give us, what we shall, retrenchment or no retrenchment, undoubtedly need; and, speaking for myself, it is a little difficult to see how it can be regarded, unless our revenues happily show some unexpected improvement, or unless some other changes for the better occur in our financial outlook and position, as anything more than a temporary arrangement. I beg to move that the Bill be taken into consideration.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, in discussing the consideration of the Indian Finance Bill, 1922, I do not propose to detain the Council at any greater length than what is absolutely necessary. Just about the end of the speech of the Honourable Mr. Cook, one significant, one pregnant statement fell from his lips. He said that the Bill was not a satisfactory one. I endorse on behalf of the Council that statement. The Bill is not satisfactory. It is not a perfect Bill by any means. In the history of the Indian Legislature at no time previously has a Bill involving such heavy taxation ever been laid before this Council for its acceptance, a Bill in which the taxation falls so heavily on the poorer classes has never before been placed before this Council; and it is therefore obvious that when I speak on this Bill I speak with a feeling of trepidation and disappointment. Sir, when this Bill was presented to this Council on the 8th March last, I stated, and I stated as the considered opinion of many of my Honourable colleagues, that the Bill as then presented was not acceptable to this Council. I then forcibly brought to the notice of Government that, unless the Bill was considerably recast, unless the Bill was re-formulated on principles of justice and fair play, unless it was distinctly modified so as to respect the public opinion outside this Council, this Council will not give its support to it. I am glad, Sir, the Bill now before this Council has come with certain improvements. The Bill has been shorn of some of its most objectionable features. I would say that the Bill has been purged of many of its features which could not for a moment be tolerated, and though the Bill, as it comes before us, is still full of many defects, though the taxation proposals contained therein will fall very heavily on the poorer classes, I say that it comes up before us in a form that leaves us no alternative but to give it our unwilling support. Sir, this Government could not expect this Council, when it imposes about 24 crores of new taxation, to give a welcome reception to a Finance Bill of this character. You cannot expect this Council to treat a measure of this sort with any equanimity of temper or to extend to it a willing, ready acquiescence and co-operation. But all the same, we realise that in this matter Government had a difficult task to perform, and that they have honestly endeavoured to meet the people of this country half way in matters relating to many of the new taxes against which there was popular opposition.

Sir, I was extremely pleased to hear from the Honourable Mr. Cook that the Government did not intend to place any amendments before this House for the restoration of those items of taxation which have been rejected by the sister House. I was also gratified to hear from him that, though he thought it was a somewhat difficult task, a sincere and an earnest attempt would be made by Government in the matter of retrenchment and economy. I cannot endorse his view that within the next twelve months the task of effecting retrenchment to the extent of 9 crores is an impossible one. I cannot share the apprehensions stated by him. I am confident that if the Government approaches the task with all seriousness and with an earnestness of purpose, considerable retrenchment can be made. He has asked us not to remain under such a delusion. I say that twelve months ago when a budget showing 19 crores of deficit was presented by Government, it was their duty then to make immediate steps to adopt a policy of retrenchment and economy. It was then obligatory on the part of Government to have appointed a Retrenchment Committee which it now seeks to appoint. Whose fault was it that the appointment of the Committee was delayed? Not the fault of the people. Why did not Government, when a deficit of 19

crores faced them, take immediate steps to retrench expenditure? I am under no delusion in this matter, and I feel certain that if a right and proper class of people are taken on this committee and if their co-operation is solicited, and if the Government approaches the whole question with all seriousness, a substantial retrenchment and economy will be effected, and I appeal to His Excellency the Commander-in-Chief, with all the emphasis at my command, to give his very very earnest and serious consideration to this matter. I bow to his well considered decisions in military matters, but with great respect to him, I must again point out that the country is neither in a mood nor in a position to tolerate such excessive military expenditure, and the heavy expenditure can be substantially reduced by adopting a policy of cautious move at the Frontier and a systematic policy of retrenchment which may be helpful to the country.

Sir, I shall only briefly allude to some of the important alterations that have been made in the Bill. So far as the Salt tax is concerned, I quite agree that the incidence of the proposed enhanced taxation might not be felt heavily by the people if the Government proposals had been adopted. At the same time, my Honourable Friend, the Finance Minister, knows that no argument can prevail against the sentiments of the people. The sentiment of the people has to be respected; the sentiment of the people has to be religiously tolerated. It is only by respecting popular sentiment that government can be successfully carried on. You cannot ignore public opinion or public sentiment, and I therefore consider that the Government of India has adopted a right and proper policy in this matter in conceding to popular objections.

Sir, I do not wish to speak at any length on the much disputed question of Excise duty. I am glad the Government has seen its way to drop the proposal about the enhanced excise duty. I am also glad to find that my Honourable Colleagues in the other House have acted wisely at this particular juncture in not pressing for an increase in the import duties on foreign piece-goods. I do not wish to speak to-day on this matter and commit myself in any way. My position as a Member of the Fiscal Commission makes it imperative on me that I should observe silence in this connection. All what I shall say is that the House has acted very discreetly and judiciously in restoring those items and in neither enhancing the Excise duty or increasing the import duty on foreign goods, and I also trust that nothing will be said or done in this House which will have the effect of modifying the policy adopted in the lower House. I have not the slightest doubt that the Fiscal Commission will approach this question from all its aspects in a sound and judicious manner and will come to a decision which will not only command respect and be of interest to this country, but which will be just to Great Britain, whose partnership in the trade of the Empire we readily acknowledge.

Sir, as regards Machinery, the step taken is a sagacious one, and I congratulate the Finance Member on the readiness and cheerfulness with which he has accepted our demands in this connection. This is not the time, when India is hankering to increase her industries and develop her internal resources, that any increased duty on machinery be imposed. The Finance Member has not only done a service to India in this connection, but I go further and say that in this respect he has done a great deal of service to Great Britain. The result of this increased duty of 10 per cent. would have been the cancellation of many orders previously placed and it would have also increased unemployment in Great Britain and stopped many of the factories there which are now struggling for existence.

Sir, I know that many of the other taxes which have now been augmented are more or less of an oppressive character and which will fall on the poor with much severity. But in view of the attitude of compromise adopted by the Government of India and the manner in which they have met us half way in this important matter, I do not think it necessary to make any proposals for further amendment of those taxes. There is one matter, however, in connection with which I should like to say a few words. My Honourable friend, the Finance Member, has increased the Super-tax to a limit of 6 annas in the rupee. Sir, I do not protest against it under the present adverse circumstances. The wealthy people, the affluent merchants, are quite prepared and ready to bear their share of the State burden, but let me remind my Honourable friend, let me warn my Honourable friend, that the policy which the Government of India is now adopting will ultimately prove disastrous to the interests of the country. Sir, during the war when our finances were in such an unsatisfactory condition, during the war when we were practically bankrupt, the Finance Member of the time would not dare, or I would rather say did not dare, to enhance the taxation to this limit. What has now happened? You may impose a Super-tax of six annas in the rupee, but it is no more than an excess profits tax. Remember what is now going on in England. They have found it in England—the best of Statesmen have now come to the conclusion—that the policy adopted by them in

imposing an increased super-tax and excess profits tax has proved disastrous to the interests of Great Britain. They are rueing the day when they imposed this enhanced taxation. The aristocracy have been ruined. They have sold their properties. They have sold their hereditary lands and houses. They have been reduced to bankruptcy. All new industries have been stopped and the old industries are in a state of financial crisis. I say that in India you will always have to depend for future resources on the wealth of the capitalists. Do not, therefore, whenever you require money, carry your programme of taxation to an unlimited and preposterous extent. Do not repeat in India or do not at least give the chance of repeating in India the phenomenon which has proved so terrible in Great Britain and in other countries. Sir, I should not be misunderstood. I for one moment do not say that the rich and the affluent should not bear their fair share of the burden. I say they should bear their legitimate share of the taxes. My Honourable friend has raised the Super-tax not to meet a war emergency, but in times of peace to meet the enhanced demands of Government for administrative purposes, a proposition which would not be justified or tolerated in any other country in the world.

Sir, I shall not detain the Council any further. I shall say that to this Bill, as it stands, we will give our unwilling, and our compulsory support. We are not frightened of our civic duties. We cannot be intimidated into acquiescence by what is said elsewhere. I know and I am glad to find that my Colleagues in the other House and my Colleagues here will stand by Government and do their duty. We have been told, Sir, that we Indian legislators have been a little bit contumacious in connection with this Bill. We have been told that we have adopted the expedient of wholesale refusal to vote supplies for immediate purposes of Government. We have been told, Sir, that we have brought the administration to a standstill. We have been told that we do not realise that we have probably made it necessary for Great Britain to reconsider the whole working of the Constitutional Reforms in India. We have been told further that Indians seem to be casting new Reforms into the melting pot, and we must not be surprised if our present attitude leads very soon to an examination of the whole problem from a new angle. Such, Sir, is the theme of a leading article in the 'London Times', as reported to-day in a Reuter's telegram, of the action of my Honourable Colleagues in the Legislative Assembly. Sir, I shall not allow the matter to rest at this stage. I think as a citizen of this country I am bound before I sit down to register my emphatic protest against this gratuitous intimidation. Nothing that is said in this matter elsewhere will ever stop us from vindicating our just rights and pleading our just cause in the Council of State and in the Legislative Assembly. Nothing will thwart us from our determination to serve our country and lead the Government in the right path of duty. Sir, the meaning of this criticism is clear. It is nothing more than, and my Honourable Friend, the Finance Member, will see that it is nothing more than, an indirect and sinister attempt to bring pressure on the Government of India to exercise its right of veto in respect of taxation which the Legislative Assembly has thrown out. I appeal to my Honourable Friend, the Finance Member, that he will rise to the occasion to-day and from his place in this Council repudiate the charge, which has been brought against our Colleagues, of having brought the administration of the Government to a standstill, and having adopted the expedient of wholesale refusal to vote supplies. I have heard the speeches of my Honourable Friend, the Finance Member, in the other House. They were earnest and sympathetic. He appreciated our difficulties and our awkward position, and I do hope that from his place to-day he will do justice to his Indian Colleagues who have helped him and the Government in coming to a right and proper solution of this difficult Budget. I say, Sir, we have helped the Government to come to a settlement as far as we could honestly go. We have honestly discharged our duties and brought forward reasons and arguments to contend against Government proposals and we made it clear and voted for certain taxes that were necessary for administrative purposes. I say that an attitude of perfect friendship and co-operation and of determination to help the Government legitimately could hardly have been shown in any other Legislature in the world. Sir, I have nothing further to add, but I only wish to say that we shall give our co-operation to all the valid proposals of Government. We only hope that next year when the Finance Member approaches this Council with his new budget he will come under more auspicious circumstances. I hope that the trade of the country will improve by that time. I hope that the general business conditions will undergo change and improve for the better, and I hope and pray that this will be the last Budget of deficit which my Honourable Friend, the Finance Member, has the misfortune to present to this House.

The HONOURABLE SIR EDGAR HOLBERTON: Will it be in order, Sir, if I now move my amendment?

The HONOURABLE THE PRESIDENT: No amendment can be moved at this stage when the motion that the Bill be taken into consideration has not yet been passed. The Honourable Member may, however, speak to that motion.

The HONOURABLE MR. SETHNA: Sir, during the last three weeks India has been greatly perturbed and deeply absorbed in the consideration of three very important topics affecting not only the present but the future history of this great country. They are Mr. Montagu's resignation, Mr. Gandhi's arrest and conviction, and last but by no means the least Sir Malcolm Hailey's Financial Budget for the year 1922-23. My Honourable Friend, Sir Maneckji Dadabhoy, has referred in very eulogistic terms to the attitude of the Assembly in endeavouring to meet the requests of the Honourable the Finance Member for increased taxation. I join with him in saying that we have every reason to congratulate the other House for doing everything in their power not to embarrass the hands of Government, but, at the same time, to act in the best interests not only of their constituents but of the country at large. Next year's deficit is certainly abnormal and of an extent never before known in our history. In consequence thereof increased taxation is proposed to be imposed also to an extent never before known. The Honourable the Finance Member has displayed much skill and ability in trying to collect more money in a manner which will give the least trouble to the tax-payer so far as circumstances can permit and also to raise the increased taxation only under those heads which on account of the increased taxation will, let us hope, not decrease their output or their turnover.

The Bill, as it has emerged from the Assembly, must meet with our approval in almost all important essentials. In speaking on the Budget in this House on the 8th of this month, I expressed a fervent hope that whatever may be the increases under other heads, at any rate four particular heads might be left severely alone, namely, increases in Salt tax, Cotton excise, and Machinery, and the quarter anna post-card. I am glad to find that the first three have been left alone by the other House, and I regret that they could not see it advisable to press the retention of the quarter anna post-card.

Sir, in regard to the Cotton excise duty the Honourable the Finance Member knows that there is considerable objection to it throughout the country, and yet he thought it right to oppose as best he could the amendment in the other place for retaining it at 3½ per cent. In this House he took exception to an expression which I used, that the proposed increase in Cotton excise duty was an insult to the intelligence of the Indian public. I have not altered my views even after hearing him, and I do fervently hope that as soon as time and circumstances permit Government will adhere to their promise made years ago of repealing the Cotton excise duty altogether instead of levying even the present rate of 3½ per cent. that is charged. The Honourable the Finance Member told us emphatically, and other Government Members have borne out the statement, that there has been no desire whatever to support Manchester in this matter. I accept the statement and admit that their proposal was simply with a desire to get more revenue. I am afraid, however, that the attitude displayed by Government, even unwittingly, lends colour to the belief that they have helped Manchester, for whilst in one breath the Honourable the Finance Member insisted upon getting as much revenue as possible, yet in another he thought it right in the other place to accept an amendment whereby the proposed increase in import duty on piece-goods has been abandoned. The reason which the Honourable the Finance Member gave was that it was not out of regard for Manchester, but out of regard for the Indian consumer. (*The Honourable Sir Malcolm Hailey*: 'No'). I hear 'No'. I should like to have the correct reason. . . . .

The HONOURABLE SIR MALCOLM HAILEY: The exact reason I gave was—I am repeating to the best of my recollection what I said at another place—that what we had proposed was a combined operation bringing us a sum of 5 crores of rupees. As that part of the increase which was represented by the Cotton excise duty had been vetoed by the other House, then it became a question whether we should or should not persist in demanding the remainder. The result of raising the general duty from 11 to 15 per cent. would undoubtedly have been a general increase of prices throughout the country in regard to those articles. The question we had to ask ourselves—I am only repeating as nearly as I can what I said—was, whether the general disturbance that this would cause would be worth the sum of money that would be brought in to us by raising the general duty from 11 to 15 per cent., and that was the exact ground I took there.

The HONOURABLE MR. SETHNA: I thank the Honourable the Finance Member for his explanation. It was to avoid the general disturbance as he explains that he agreed to the amendment of keeping the duty on imported

goods at 11 per cent. instead of raising it to 15 per cent. as was originally proposed. May I ask the Honourable the Finance Member, has he not had one whole year in which to know whether there was a similar disturbance when we increased the rate of taxation a year ago keeping the Excise duty at 3½ per cent. and raising the import duty from 7½ per cent. to 11 per cent? Consequently, I contend that the attitude of Government is most inconsistent in this matter. If they were prepared to accept the amendment for reducing the import duty from 15 to 11 per cent. they should straightaway have also accepted the amendment in regard to Cotton excise duties instead of opposing it tooth and nail as they did. In response to a general public desire, they accepted the amendment for not increasing the rate of Machinery from 2½ per cent. to 10 per cent. I repeat they could just as well have accepted the retention of Cotton excise at 3½ instead of being defeated on the motion as they were.

Sir, retrenchment must be the order of the day, and to this my Honourable Friend, Mr. Cook, has referred in very clear terms. He particularly referred to the Committee which is likely to be appointed and he said it should consist of a very strong personnel, men of outstanding ability and weight. The entire country is with him in that respect. The Committee should consist not only of the ablest men available in this country, but India will deem it a great advantage if men of the type of Sir Eric Geddes and others, who can lay their finger on the weak spots, are especially invited from Home to point out where reductions can be made, and made with great advantage, to meet the deficiency of 9 crores and 16 lakhs for next year. The Honourable the Finance Member told us on the last occasion that, as compared with pre-war days, the cost of the Army in England is to-day nearly five times as much, and yet in telegrams received from London during the last three or four days we are told that the total cost of the Army is to be reduced by £33 millions to £62 millions as compared with last year . . . .

The HONOURABLE SIR MALCOLM HAILEY: The figure I referred to was the cost of general administration, not merely of the Army.

The HONOURABLE MR. SETHNA: I think the figures were in regard to the Army expenditure.

The HONOURABLE SIR MALCOLM HAILEY: No. About a thousand million against £200 million; that was the figure I think.

The HONOURABLE MR. SETHNA: I think I saw a telegram which said that the cost of the general administration was reduced by more than £100 million and the cost of the Army alone by £33 million. I will, however, accept the statement of the Honourable the Finance Member as he must know better than myself.

My point is, if reductions have been effected in England, they can be given effect to here. I know that His Excellency the Commander-in-Chief holds different views, but the country at large have nothing before it to enable them to endorse the statement of the Commander-in-Chief as the final word in the matter. If, therefore, the Retrenchment Committee is appointed, and military expenditure is also looked into, the country will feel greatly relieved.

Sir, I know military expenditure is a non-votable item, and there have been considerable discussions on the subject both here and in the other place, but there is one point which was referred to by me on the previous occasion which I will refer to again in passing, namely, that, even if you keep the strength of the Army at its present number but substitute for 10,000 Europeans 10,000 Indians, that would straightaway effect a saving of a crore and a half. But several crores more might be saved in military expenditure in another way, because we know that this largest spending Department of Government is run mainly by men who, with due deference to them, I may say, have probably not even a nodding acquaintance with commercial methods. Commercial knowledge is of very great necessity to this department, and if commercial knowledge was availed of in the administration of the Army, I have no doubt that not a few lakhs but perhaps a few crores might be saved, and that the Honourable Mr. Cook's apprehension of Government not being able to reduce expenditure by 916 lakhs will be dissipated.

Sir Maneckji Dadabhoy referred to the present heavy taxation in England, and the desire there also to bring it down as best as possible. In regard to the high rate of income-tax in England it is said that if the authorities continue to levy at the present high rate they will break the capitalists, and if the capitalists will not pay this tax they will break the country. The position here will soon be the same because of the heavy taxation now about to be imposed. The best course to my mind is to endeavour to return to normal conditions as soon as possible, and normal conditions can only be reached by retrenchment, and retrenchment of a drastic character.

In England, according to recent advices we find that they propose a reduction in the rate of post-cards to ½*d.* and letters from 2*d.* to 1½*d.* Why are they proposing to do this? Simply because they find that the higher rate has resulted in a smaller revenue than what was anticipated. The Government of India are not unaware of this. In regard to Tobacco and Wines and Spirits, from their experience of this year they know that because of the higher rates of taxation on these articles imposed since last March, the consumption of wines and spirits and tobacco has greatly decreased. It was, therefore, not worth while to increase the rates of taxation still further on these articles, as that would most certainly reduce the consumption yet more. The same applies, I am afraid, to postage and Railway passenger fares. But I realise that in the present circumstances the best that can be done is to allow these taxes to remain as they have been passed in the lower House.

I think it is a very generally admitted axiom that to levy taxation from the poor at rates that will deprive them of the necessaries of life is a moral wrong. There is another axiom that to levy excessive taxation from the rich is perhaps an economic wrong. I say 'perhaps' because this latter axiom may not be subscribed to by all. The rich man does not spend all that he makes. He must lay by something, and what he lays up is lent for commercial and industrial purposes which helps the material advancement of the country. A higher Income-tax and a higher Super-tax is a tax on savings and the money taken by the State is withdrawn from productive use and spent on consumption. In a healthy condition of a State no more should be raised in taxation than will leave an amount available for capital development sufficient to meet all the needs of business. I hope, Sir, that the wish expressed by my Honourable Friend, Sir Maneckji Dadabhoy, that this is the last deficit year will be realised, and that from now onwards our revenues will so improve that by degrees we shall be able to effect reductions in the heavy taxation now imposed in the country.

The previous speaker has referred to the telegram that he has seen in this morning's papers in regard to an article published in the 'London Times.' Previous to the introduction of the Reforms the predecessor of this House, *viz.*, the Viceregal Council, had the privilege of discussing the Budget at yards' length if Members so chose to do so, but the suggestions and the recommendations which Members made were no more than pious hopes. They appealed to deaf ears, for Government did as they pleased. The Reforms have brought about a certain amount of change, namely, that several items of the Budget are now votable and others non-votable. It is these votable items in regard to which the Assembly has discharged its duties in a manner which, I hope, was to the satisfaction of the Government of India and certainly to the satisfaction of the country at large. From the quotations however which my Honourable friend read out, no less a paper than the 'London Times' has taken strong exception and found serious fault with the Assembly. I need not repeat those quotations from the 'London Times,' but I may be permitted to quote from one other paper which, fortunately for us, takes a very sensible view of the situation. This paper is the 'Manchester Guardian' and in an article which appeared in it on the same day as the article in the 'Times', it says:—

> 'The Assembly appears to have acted in accordance with what it held to be the best interests of India and in order to force the Government to reduce the enormous military expenditure, which the mass of the people of India feel they cannot afford. It has probably done no more than Britons would have done in like case. The Government can get out of the difficulty temporarily by borrowing more than it intended. This appears to be the only solution possible now, but there should be retrenchment also.'

Sir, if a responsible organ like the 'Times' has ventured to pass criticisms in a most objectionable style as the quotations read out have shown, how much more might we not expect from organs like the 'Morning Post' and the 'Daily Telegraph'? Sir, we have been told that in spite of Mr. Montagu's resignation we need not be afraid of any reactionary steps being taken by the Government in England. We have been assured of this in these Council halls and outside by no less a personage than His Excellency the Viceroy. We have been so assured by various newspapers in England. Even the 'Times' itself only as recently as March 16th said:

> 'In view of Indian distrust of British good-faith we must endeavour to convince Indians that our intentions are unchanged, and that we sincerely intend to keep our pledges. The habit of vacillation which has so long paralysed our Indian policy must be dropped, and the Government of India must be freely and constantly consulted. Its views must receive the consideration they deserve, but in the politics of India the old essential and constitutional principle of co-ordination must be revived immediately, and consistently upheld.'

I leave it to the Council to reconcile the opinion expressed by the 'Times' a week ago with what we have seen in the papers this morning. I believe I am right in saying that, whatever may be the views of individuals or of journals in England which do not understand India, we have at the present time officials in the Government of India who will not endorse the criticisms made by the 'Times'. This mischievous criticism is nothing

short of a threat that the Reforms have been a failure and that they should therefore be scrapped. The Government know that the Reforms have not satisfied the country as a whole. There are many who think . . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member is rather getting away from the Bill.

The HONOURABLE MR. SETHNA: I am speaking on the Budget, Sir. The country is not satisfied with the powers which have been given in regard to the votable items in the Budget and even what little power is given is proposed to be scrapped. If this is a threat, that threat, Sir, in the present temper of the country will not avail. He was a broad-minded and a far-seeing Englishman who wrote that the British hold on India was not one of force but has been a moral hold. Forty million people cannot hold three hundred million by force four thousand miles away from Home. If the British hold has endured in this country—and long may it endure—it is because in the main it has made for justice and security. In form it is imperialism armed with force, in reality, it is government by consent. If they now desire to lose that consent which the moderates have given them let them do so and take the consequences. Criticisms like that in the 'Times' will compel even the moderates to lose faith in the Reforms.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, our course seems to be cut and dried. On the one hand, we are told that we cannot raise any more taxation; on the other hand, we are told that the Budget has already been cut down to such an extent that it will be difficult for the Government to carry on its functions and that it will have to resort to drastic measures. There are one or two things, Sir, to which I want to refer. Of course, we are all speaking and looking for economy. But going into the matter carefully, I cannot understand how this economy can be effected. The men in the Services are already complaining that their pay is not sufficient; and some of them who cannot make two ends meet naturally resort to bribery and corruption and similar malpractices. That, of course, is likely to be one of the results of too much economy. But with such an economy where are they to find the money? The answer is, from the general public; and it is the burden borne by the common people that we want to reduce. In regard to the present state of the country, I do blame Government for having allowed such a state of affairs to come about; but, at the same time, our own countrymen who are creating so much trouble in the country are also responsible, and the question is, who is going to stop that? It must of course be the Police, and not the ordinary Police but additional Police, and if the latter have to be enrolled money must be found. In regard to the Army I have said before, Sir, that the martial classes who furnish recruits to it are already feeling the pinch of the policy of reduction, and the more reduction effected in the Army, the more they will feel it. I come, Sir, from a district nearer Waziristan than that of any other Member of this Council, and so can understand the position on the Frontier better than they can. The ruffians from across the border come down and take away a man or his wife, and kill or torture the victims. But these are British subjects and deserve the protection of the Government. If you reduce the Army to such an extent that that protection cannot be given, the position is exactly the same as it would be if a man was killed in a British district, and his relatives on going to the Police or to a Magistrate were told:

'Oh no, we cannot do anything, the expense of prosecuting the murderer is too great.'

It is said in support of this demand for reduction of the Army that we now have agreements and treaties with various people on the border, and so there is no necessity to spend so much on the upkeep of the Army. Well, Sir, if international treaties can be treated as scraps of paper in Europe, they can easily be so treated in Asia. I was present throughout the troubles in the Punjab, and I was also in Peshawar. I saw clear evidence of connection between the Bolsheviks and the local agents. With all these troubles in the country and the disturbances in other countries, I do not think it is wise to reduce further forces which are meant for internal and external security. It would be false economy to do so. While, however, in my opinion the combatant strength of the Army should not be reduced, there are other directions in which economy might be effected. Leakage undoubtedly goes on. I can give one instance. There was a contractor near Quetta who brought back with him seven crores of rupees. (*Exclamations of* '7 crores!' 'You must have wrong figures'.) It may be two crores as suggested by the Honourable Rai Bahadur Ram Saran Das. Anyhow, if a contractor can achieve a profit of crores of rupees, the man who gave him that contract must also have benefited. And there are many similar contracts like that. In this way, I submit, a good deal of leakage is taking place. Much the same thing happens in the Public Works De-

partment. If these things are put right, I think it will be a much better way of economising than by cutting down the Departments wholesale. No doubt, Sir, the other Honourable House has done a great service to the country in the reductions they have effected. But, I submit, is it so very great a service to do the country to reduce the working expenses of the Departments to such an extent as to make their smooth working impossible? If that sort of thing goes on, the Government will come to a standstill. That fact must be acknowledged when it is a truth.

With these few remarks, Sir, I resume my seat.

The HONOURABLE LALA RAM SARAN DAS: Sir, I fully endorse the views which have been so rightly and strongly expressed by the Honourable Sir Maneckji Dadabhoy. We can only give our unwilling assent to the Finance Bill which is before us and which has been approved by the Legislative Assembly. High taxation is always resented by the public, and unfortunately this year we have the highest taxation which we could ever have dreamt of. The new rates of Income-tax and Super-tax will undermine the rich and the commercial people of this country. We are, however, glad to find the reduction in the duty on Salt, the enhanced import duty on Machinery and the Cotton excise duty, and which has been agreed to by the Government. I can only suggest that the deficit of about 9¼ crores which the Honourable the Finance Secretary is in difficulty to meet ought to be met by fresh borrowing, which can be paid when we get a prosperous year. The attack on the Public Works Department which has been made by my Honourable Friend, Sir Umar Hayat Khan, is quite wrong and unjustified. That is a Department which is run on purely business and sound lines. As regards the contractor who is said to have brought about 2 crores from Baluchistan, is said to have made it mostly in a transport contract. As far as I hear the profits earned by that firm were very large, but I must say that the contract involved a very great risks of life and of property. As regards the increase in the postal rates, I would strongly suggest that, for the sake of the poor, the price of the post-card ought to remain at a quarter anna. With these few remarks, Sir, I give my support to this Bill.

The HONOURABLE SIR ZULFIQAR ALI KHAN: Sir, I rise to associate myself with the remarks which have fallen from the Honourable Sir Maneckji Dadabhoy and the Honourable Mr. Sethna. They have voiced generally the feelings of Honourable Members of this Council and they have also ventilated, in a moderate manner, the views of the country at large. Sir, I have attended many Budget debates. I was a Member of the first reformed Council in 1910 when the late lamented Mr. Gokhale, with all his profound knowledge of economies and finance, attacked the Government and showed how crushing was the burden of the military expenditure and expenditure in certain other departments, on the resources of India. Sir, even in those days when the military expenditure had not reached this surprising scale, people even then thought that the military expenditure had reached its highest level. But at this juncture, and especially under the present conditions when trade is depressed and taxation is high, the military expenditure which is as much as one-half of the revenues must be reduced in the light of the fact that it might be the last straw on the back of the camel. Sir, this Budget has produced feelings of dismay all over the country. People feel that there is a limit to their capacity for paying taxes, and they think that the limit was reached last year when fresh taxation was made. But this year, unfortunately the Government have thought it fit to resort to additional taxation to the tune of very nearly 32 crores. Sir, with all due deference to the needs of the Military Department, I must say that when the treaty with Afghanistan has been made and the frontier menace has just been removed and when we remember that the Indian population is totally disarmed, how can one be convinced that such a huge expenditure on military armaments is justified? We see that in Mesopotamia, the Military authorities have considered it quite sufficient to maintain only an Air Force at Basrah to rule the whole country. We see that the same policy is likely to be pursued in Egypt and the Soudan. How then can the Indian population, which is disarmed and which cannot resist any force, be considered to be in a state to menace the tranquillity of India? Sir, next year I do hope that the Government of India will present a Budget which will be more acceptable first to the other House, the Assembly and then to this House. The Assembly has passed the Finance Bill. They have made inroads into the proposals put forward by the Honourable the Finance Member. He has been stripped of some of his fine clothes, but he is not naked, and yet he can be said to be dressed in decent apparel.

Sir, one remark more, and that is about the onslaught made by the 'London Times' recently and which has been dealt with by the Honourable Sir Maneckji Dadabhoy and the Honourable Mr. Sethna. I must

say that in the present circumstances when the feelings all over the country are excited and bitterness prevails, and when people, at any rate those who co-operate with the Government, are trying their best to help the Government in tiding over the present difficulties, it is very indiscreet and very tactless to hold a menace to the liberties of India and say that all that has been given may be recalled, so that India would be thrown back in the road of progress. Sir, I hope that the Statement in England, guided by their old traditions of liberty and freedom, not only in their own countries, but in the countries under their control, will see that it is only by ruling over the hearts of the people that the Empire can be maintained. It is not by holding out threats of deprivation of liberty and reforms that they can do anything.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I rise to a point of order. The Honourable Member speaking just now made the statement that no amendment containing increased expenditure was to be permitted. I understand that the Honourable Member was entirely unjustified in his remark.

The HONOURABLE THE PRESIDENT: No point of order on an amendment can arise, until the motion that the Bill be taken into consideration and passed is disposed of.

The HONOURABLE SIR MALCOLM HAILEY: Sir, I should not have taken part in the debate at this stage of the Bill, had it not been that a direct challenge was put to me this morning by some of my Honourable friends, much disturbed, by reading a telegram embodying the views of the 'London Times' on the political situation created by the passing of the Finance Bill in the Legislative Assembly. I should have preferred myself that the discussion to-day had ranged entirely within the scope of the Finance Bill itself; but since it has taken a wider aspect, it is not right perhaps that I should remain silent on the subject.

Now, it will readily be supposed that on coming here fresh from the debates elsewhere, I do not desire to criticise in this House, or even to comment in this House on the attitude taken by the Legislative Assembly in regard to our Finance Bill. I will pass over in silence the motive which prompted the Assembly in so materially reducing our proposals for taxation. The openly avowed motive was to bring pressure on us to effect substantial economy in the cost of our administration. (*A voice*: 'A very laudable one.') My Honourable friend thinks the motive laudable. However, laudable a motive may be, the course which is taken in pursuit of that motive is not necessarily on that account either practical or politic.

As I say, I desire to say nothing now in criticism of that attitude; but my Honourable friends here, having referred to the position of the Assembly, lamented the view which has been taken in the 'London Times' of the political results which may be likely to follow the action taken. I would only ask them to remember, Sir, that a paper, however, important, does not necessarily embody the views either of the people in England at large or the considered view of its Government. I would ask them to remember that if those views have been expressed in the 'London Times', somewhat different views have, as Mr. Sethna showed us, been expressed in another paper of great importance. For my own part, I think that it would be better for us to let those two opposite views contend with each other in the sphere of English journalism, and to await the result, as shown in the actions of the Government of England and in the actions of the Government of India. As to that result, I myself have no doubt whatever. Further, Sir, and merely as my own contribution to this discussion, let me say that I must join with my friends here in saying that I cannot admit any wholesale condemnation of the conduct of the Legislature in India during the last year and a half; for I must remind those who tell us that the action of the Legislature has been fatal to the cause of reforms, that the Legislature has after all, during the course of its existence, acceded to larger proposals of taxation than ever were put before the old Legislative Council with its Governmental majority. So much I must say in credit to the Legislature, and it would be unfair to say less.

Now, Sir, I must pass to the aspect of the question which does not relate to political considerations, but concerns those financial questions which are really cognate to the discussion of our Finance Bill. It was my duty as Finance Member to bring before the Legislature proposals for covering the deficit disclosed by our estimates for the coming year. That such proposals were incumbent on us is clear. I have even been held up to criticism because I failed to some extent in my duty, in so far that my proposals did not pretend to cover the whole of the deficit. Even so, however, we have failed to gain the assent of the Legislature to a very considerable part of those proposals, and we shall have to face the year with an uncovered deficit of no less than 916 lakhs of rupees. That one

can accept such a result with equanimity is not to be expected: that the situation contains grave dangers, as the Honourable Mr. Cook rightly pointed out, is equally obvious. I dismiss at once the cheerful suggestion of my Honourable friend opposite that we can view the situation with a light heart; that we can depend on our powers of borrowing for bridging the deficit; that we should be content to rely on the Indian loan market to supply our current needs. It is obvious, and I can again only repeat what Mr. Cook said here, that situations may easily arise when the mere attempt to finance such deficits by floating debt may react in the most unfavourable way upon the money market itself. It is further obvious that deficits of this nature, unless they are of a purely temporary nature, are dangerous to our finances for many years to come. Nor can I accept the proposition, to which Mr. Cook also objected, that we can set ourselves right by immediate retrenchment. Two of my Honourable friends have assured me that there would be no difficulty whatever in such a process. But look at the remedies which they have put forward. The Honourable Mr. Sethna suggested that we could immediately substitute a number of Indian troops for British troops. Even he only expected to gain a crore and a half or perhaps two crores of rupees by that process. Even he knows as well as I do that that process could not be an immediate one. Then, again, he suggested that if we handed over the management of the business functions of our army administration to business-men, a speedy economy might be effected. I have heard the proposition before; and, since it is one that is often put before us, I think it is well that I should, purely by way of information, give the House some details as to the actual extent of our annual purchases on behalf of the Army. We buy about three and a half crores worth of provisions, and get this entirely through business firms on commission. We provide two and a half crores worth of forage; but for that purpose we run our own grass farms, and the price of our forage is, on the whole, less than that which obtains in the open market. Other sums are in proportion much smaller. Ordnance stores cost us a crore and a half of rupees and Ordnance stores must, I think, be bought through an expert agency. Our total buyings are Rs. 9,13,00,000. Let me suggest that at the outside the change which Mr. Sethna has proposed, if feasible, and if successful up to the full extent of his anticipations might effect an economy of 10 per cent.—perhaps 15 per cent. I only make this assumption; but at the best how far would this help in securing the total retrenchment on which he has calculated? Then, again, we have been told by Sir Umar Hayat Khan that there is wastage in the Public Works Department. What is the total sum that we have placed in our budget on account of the Public Works Department in the present year? One hundred and sixty lakhs of rupees. Effect the maximum of economy by any new system you can suggest, you will not gain and could not hope to gain more than ten per cent.; and what substantial effect is that going to have on securing nine crores by which our revenues have been left short of expenditure? We are told that a Contractor has made as much as 7 crores of rupees on a single contract; that sum in itself was somewhat hastily reduced by the speaker to 2 crores of rupees. I myself happened to know the nature of this contract; it concerned the provision of transport on the East Persian frontier. One of my income-tax Collectors deplored the fact that he was unable to make a recovery of income-tax on account of the gains of this contract; but he placed the total gains of the contract only at 30 or 40 lakhs of rupees. Now, when suggestions for retrenchment which are put forward by my Honourable friends are so vague as this, I feel that they have not attempted to envisage, as we ourselves shall have to envisage, the serious problem that awaits us in attempting either to finance a deficit of 9½ crores or, in the alternative, to effect a reduction of 9½ crores of our expenditure. Whatever retrenchment you could effect, it could not have an immediate and very substantial effect. Your best retrenchment is that which is effected with discrimination and which consequently has a continuing influence on your annual accounts; that is the kind of retrenchment that we want to effect. One rupee of retrenchment effected in that way, since it will be of a permanent nature, is better than five rupees that you can raise by taxation. If that is the class of saving that we must seek to achieve, it cannot have such an astounding effect on the deficit of the present year as my Honourable friends seem to expect. Well, Sir, I have placed our case before the Council. We cannot accept the decision that has been come to elsewhere with a light heart. We cannot dismiss from our minds the gravest apprehensions as to the results which may arise from it. Speaking as Finance Member I must warn the Council, and through them the country, that the situation is unsatisfactory in the extreme. At the same time, Council knows that we have not come before them here with a recommended Bill and the Council knows that, as a result, we are ourselves prepared to accept, not purely on financial grounds, but on general grounds, the decision which has been arrived at elsewhere. We accept that, because we feel that we must on general grounds accept it, but any further reduction it would be impossible for us to accept.

The HONOURABLE LALA RAM SARAN DAS: May I offer, Sir, one word of personal explanation? It is on the remarks of the Honourable the Finance Member, as regards the income of a certain person. What I said in my speech was that the person referred to brought about two crores of rupees and not that he made that much profit. Besides it was a company and not an individual.

The HONOURABLE SIR MALCOLM HAILEY: I quite accept that.

The HONOURABLE THE PRESIDENT: The question is:—

**'That the Bill to fix the duty on Salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an Excise duty on kerosene, to fix rates of Income-tax and to abolish the freight tax'**

as passed by the Legislative Assembly be taken into consideration.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That sub-clauses (*1*) and (*2*) of clause 1 of the Finance Bill stand part of the Bill.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: Sub-clause (*3*) of clause 1 is consequential to what happens to the rest of the Bill and must therefore be postponed.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I rise to propose the amendment—

**'That in clause 2 of the Bill for the words 'at the rate of one rupee and four annas per maund' substitute 'at the rate of two rupees eight annas per maund'.'**

I wish, in the first place, to explain very clearly to this Council the reasons which have induced me to bring this amendment. In the first place, it has been strongly recommended to me by the Chamber which I have the honour to represent as a most desirable form of taxation. Secondly, it came within the purview of the Assembly at a very early stage in the discussion of the Finance Bill, and I think it is just conceivably possible that it was turned down without the amount of consideration that it might have received had it come up later. I shall be clear on one point, Sir, that in my opinion this Council of State is a revising Chamber and it has power under the Act to revise legislation, financial or otherwise, passed by the Assembly. But, at the same time, if I am fortunate enough to pass this amendment of mine through this House, and, if after that, even considering what we have had to say about it here, the Assembly desire to affirm their original determination to reduce this tax, I, for one, should be prepared immediately to advise this Council to fall in with the suggestion. I do not desire in any way to raise a contest between the two Houses on this particular point. But there are several very peculiar facts to be considered at the present juncture. We have seen a most interesting political development in the Assembly during the discussion on this Finance Bill, and much of the changes in grants and reductions that have been made there have been made, not as I think has been formerly the case, entirely on the merits of each tax, but with a definite determination to bring pressure on Government by reductions in certain directions to put their house in order in other directions in which the power did not to the same extent lie with the Assembly. That is to say, indirectly the idea of some of the reductions was to get at items which were non-votable. Now, Sir, I, for one, am not going to impugn in the slightest degree the correctness of the course adopted by the other House. It has, I think, been carried through with commendable moderation and it has undoubtedly had a most notable effect; but I put it to this House that it is conceivable, possibly, that our friends have gone somewhat too far. They have made their protest, they have proved their point and their power, but they have also faced the Honourable the Finance Member with the practical certainty of coming to you next year with a deficit which cannot be less than 9 crores. The Honourable Mr. Cook in a very interesting and impressive speech has this morning pointed out to us the very serious dangers and difficulties of this position. There is even a possibility, he tells us, that his Department may be forced into what he goes so far as to call undesirable expedients to keep themselves going for the year. Now I imagine that by 'undesirable expedients' he must mean the printing of notes. None of us wants that to be done to an amount which will seriously hamper the trade of the country.

On the subject of retrenchment, too, we have had some exceedingly sound advice this morning from various sources, more especially from the Honourable Mr. Cook and the Honourable Sir Malcolm Hailey. As a business-man, Sir, I must throw in my voice with the side which maintains, and maintains strongly, that retrenchment cannot produce a very

immediate effect. To talk of any great results of retrenchment in the year in which the Committee is going to sit is surely the most optimistic of suggestions. When the Committee has gone thoroughly into the whole position, when it has examined each Department, when it has made its recommendations, even then the process will be slow. For instance, supposing it recommended the reduction of various items in the military budget, items in the direction of establishments, it will not be possible by a stroke of the pen to get rid of those establishments. They are servants of the Crown in the same way as many other Civil Servants, and, if they are to be got rid of, the immediate effect will be more likely an increase of expenditure, because they will have to receive bonuses, they will have to be paid off. This Council would not, I am sure, desire for a moment that faithful servants of this sort should be sent away without a penny in their hands. (*The Honourable Mr. Lalubhai Samaldas:* 'Of course not.') Therefore, Sir, the idea that the magic word 'retrenchment' and the appointment of a Committee to look into retrenchment is going to produce anything like an immediate effect is, I think, extremely fallacious.

This brings us back to the position that there is perhaps very little hope of the deficit with which the Honourable the Finance Member is going to be faced about this time next year being less than 9 crores. Now, how are we to help him if we do desire to help him? We may perhaps have accomplished our political object, as we were perfectly justified in doing, of establishing the point that we are going to control, but we cannot desire to put the Finance Member and the country as a whole into a position of unusual and unnecessary difficulty. Therefore, Sir, I have put down this amendment on the paper. If we look into the merits of the case, we will find that this is not by any means a new exaction. The original rate of the Salt duty was, I believe, for years at Rs. 2-8 per maund. It was taken off in the year 1905, I think, or possibly in 1903. (*A voice:* 'In 1903.') Thank you, Sir, in 1903, not because it was being found a burden on the people, not because there was any clamour for its removal, not because Government were informed that it was pressing too hardly on the poor, but simply because the Government were overburdened with richness: their Budget at that time was more than balancing. Instead of using their balances as some of us might have suspected they would have done, to improve the conditions in some of the neglected provinces, such as mine, they decided to make a free gift to the country of this Re. 1-4 levy on Salt. Now, Sir, it is not an unusual occurrence to find that the giving of gifts eventually reacts on the donor, and this is an example. If the Government had at that time retained their levy on salt at Rs. 2-8, I maintain, from the information at my disposal, that the country would have raised no clamour. They have for years and years given the country the benefit of this reduction, but now, Sir, they are not in a position to continue their dole. The time has arrived when they have to call up their reserves and this, I put it to you, is the very first reserve which they have to call up.

As regards this question also of the actual pressure of the tax, as proposed, on the households of India, it has been generally stated in the course of debate that the incidence amounts to 12 annas on a family of four. Now, Sir, I maintain, and maintain strongly, that, if we say that is too great a burden, we are allowing our heart to run away with our head.

Now that the rate of wages is much higher than it used to be, as regards the industrial classes, I do not think there can be the slightest doubt that they will not feel this twelve annas; and even if they did feel it they could easily put in an extra day's work and put it in their pockets.

As regards the classes that live on the land, there is undoubtedly some more ground for the contention of extreme poverty. But, Sir, I put it to you that even these figures are a trifle fallacious; we are told extraordinary figures of the smallness of income that comes into some of these families. But these incomes do not, I think, include the very material sums that come into the family purse from the sons that have gone out into the world. It is in many parts of India, I grant you, impossible to hold that the money which a family of four may get from its land alone is sufficient; but that family in most cases takes the remedy into its own hands and sends forth some of its sons into the world. Therefore, even in these cases, with the assistance of the money which is received from those well-to-do labourers who have gone out to earn a living, even here there can be no great cause of complaint; nor will it be found an undue burden. When we remember that in the course of the budget deliberations in the other House, the extra tax on cotton has been cut off, when we remember that even the strongest advocates of the industrialisation of India feel no hesitation in maintaining that the consumer or the poor man is capable of bearing the burden of higher prices which this industrial policy will temporarily bring upon him, when we think also that this average of three annas per head, which is said to be the incidence of this tax, is computed as between the rich and poor alike and, therefore, is likely to fall

with much less severity on the poorest, when we consider these three factors, Sir, I put it to the House that we shall not be laying ourselves open to attacks of injustice to the poor if we suggest and pass that this levy be brought back into the Bill. Furthermore, Sir, I must just make myself clear again on the point that I do this in no controversial spirit. I have explained fully why, and I hope that there will be no desire on the part of either Government or non-Government Members in this House just to turn my amendment down because they fear that controversy, and possibly difficulty in getting the Bill through in time may arise.

The HONOURABLE MR. V. G. KALE: Sir, I stand to oppose the amendment. The Honourable Sir Edgar Holberton has referred to a number of fallacies underlying the arguments which have been advanced against the imposition of an additional duty on Salt. But I hope he will pardon me if I say that his whole speech was honey-combed with fallacies. When he spoke of the average income per head of the population in this country and about the incidence of taxation, and especially the pressure of the burden of the Salt duty upon the poor, I must say that he failed to realise what the present economic condition of the masses really is. He was inclined to think that this duty on salt might not have been opposed in the Legislative Assembly under certain conceivable circumstances, and that therefore his proposal to put it on again stood a very good chance of being accepted if it was passed on by this House to the other Chamber. Sir, I do not take this view, because from the very outset we took very strong objection in this House—and similar strong objection was taken in the other House—to any imposition of additional duties upon salt. It has been stated that the duty on salt is a very old duty and that there have been no complaints on the score of dear salt during the past several years when the burden was heavy. If this is an old tax, Sir, the argument also used in connection with it by Sir Edgar Holberton is an old argument. Perhaps my Honourable friend forgets that if there has been an agitation persistently carried on against any tax in this country, it has been against the tax upon salt. It has been the subject of protest on political platforms and elsewhere for over one generation; and my Honourable friend again forgets that it was the late Mr. Gokhale who persistently, in the Imperial Legislative Council, pressed upon the attention of Government the necessity of the reduction of this taxation. He wants to give to the Government credit for having spontaneously come forward with a proposal to reduce the salt tax years ago. I do not want to take away from Government whatever credit may be due in that direction. But I do not want also that credit should be taken away from quarters to which it truly belongs, namely, the political leaders of the country and pre-eminently Mr. Gokhale. It was at his suggestion, as far as I know, a suggestion repeated from time to time, and from year to year in the Imperial Council, that the duty on salt was steadily reduced from Rs. 2-8 till ultimately it came down to Re. 1. The Honourable Finance Member the other day took exception to the estimate of the average income of the population I had given; but I must repeat that whatever attention I have been able to give to the subject has led me to conclude that, so far as the lower classes among the masses of the population are concerned, there is absolutely no doubt that their average income per head is not more than Rs. 3 a month. I will refer my Honourable friend to a report drawn up by a committee of which he was himself the Chairman with regard to the salaries of secretariat officers and subordinate establishments. From that report itself it can be found that to-day Rs. 15 a month for a family of five or four is absolutely necessary, and it is a fact that Rs. 15 a month for a family is not available among large classes of the population scattered throughout the length and breadth of the country. However, without going into this controversy I must point out that even twelve annas a year on salt for a family of four must be regarded as a burden, inasmuch as during the last few years the income of the people has not increased to such an extent that they can bear additional burdens of taxation. During the time of the War there was an apparent wave of prosperity, but to-day on account of the depressed condition of trade and industries, certainly the additional burden that is sought to be imposed upon the people is one which cannot be tolerated. Under these circumstances, Sir, apart from the question of sentiment, I think it will be unwise on the part of this House to restore the duty on salt which has been so wisely taken away by the other House. For these reasons, Sir, I strongly oppose this amendment.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I rise to oppose this amendment very strongly. The discussion that took place in this Council, on the 8th March and also before that in the Assembly, quite clearly showed that the feeling of all the non-official Members of both the Houses is very strong against increasing the duty on salt. Public opinion is also quite against any such increase in the duty on salt. During the last three weeks from the 1st of March, wherever I went, I found a great feeling against this increase of duty on salt. There was a Durbar

of His Excellency the Governor at Meerut on the 10th March, and there I had an occasion to meet all the leading gentlemen of the Meerut Division, and all of them were of opinion that the budget deficit was very unsatisfactory, and especially the increase in the Salt tax was most unacceptable to them. Sir, salt is not only one of the important necessaries of life, but it is an indispensable necessity. Every person from the richest to the poorest has to take salt with every meal. Not only the people but even the cattle have to take salt. In every village people have to give some salt to the cattle. Therefore, salt is a necessity of life for cattle as well. Sir, there is a past history behind this whole question. Politicians after politicians tried to have this salt duty reduced. But now an attempt was made again after many years to raise that duty from Rs. 1-4-0 to Rs. 2-8-0. We are thankful to the Assembly for reducing this duty on salt and also for striking out all such objectionable items from the Finance Bill that were not acceptable to the people at large. Sir, we are here as the representatives of the people, and we have to give expression to their views in the best possible way. At the same time, we are supposed to help the Government as far as possible, but we are not supposed to help the Government, rightly or wrongly, in whatever proposition they put forward before us for our acceptance. Sir, the salt duty presses very heavily on the poor. I fail to understand why my Honourable Friend, Sir Edgar Holberton, has taken up this question to raise salt duty from Rs. 1-4-0 to Rs. 2-8-0. I find he is not in his place now, otherwise I would have liked him to suggest that the import duty on piece-goods should be raised from 11 per cent. to 15 per cent. . . . . .

The HONOURABLE THE PRESIDENT: That does not arise at the present moment.

The HONOURABLE LALA SUKHBIR SINHA: He raised such a question which affects very considerably the poor people of the country, and I therefore very strongly oppose this amendment, and I hope that this House will not undo what has been done in the Assembly.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, I rise to support this amendment. It may be said that I am always against things which are called 'popular,' but when money is wanted it must come from some source or the other, and I think it is much better that it may come from salt duty than from land-revenue. (*A voice*: 'Well, done'). If you want to make the people prosperous, you should not take away their hard-earned assets from land. The first thing required by them is the ordinary foodstuff like wheat and wheat flour. When we want to minimise anything, it is a common saying that 'It only proportions as salt in the flour.' So the first thing is wheat flour, and salt comes only next. I therefore support the amendment.

The HONOURABLE MR. G. S. KHAPARDE: Sir, I wish to oppose the amendment that has been proposed, for this reason, that salt is one of the primary necessaries of life, it is one of those things without which man or animal cannot live, and therefore the best policy, or one of the greatest maxims, is to try and not to tax the necessaries of life. Government at one time did tax it, I quite admit it, but there was a great deal of opposition throughout the country. I remember the time when the reduction in the Salt tax was hailed as a very great benefit to India. I think my Honourable Friend forgot this fact when he said that this reduction was a grant, and that grant has been taken away because of the dismal budget, and that the Government became immensely popular when that grant was made.

The other argument was that the wages have increased. But my Honourable Friend forgets that the purchasing power of the rupee has decreased. That fact has not been taken into consideration by those gentlemen who look at the thing purely from a money point of view. They say that formerly if a man used to get Rs. 5 only and now he gets to-day Rs. 7, therefore he is better off. I rather think that what he could buy for Rs. 5 then he cannot purchase to-day for Rs. 20. Therefore, the man who used to get Rs. 5 then, even if he gets Rs. 10 to-day is much worse off than when he used to get Rs. 5. Another point is this, it is the other House which has cut down this grant, and if anybody complained about it, I thought the Government would be the first person to complain about it. But they do not complain. Why should my Honourable Friend, therefore, try to increase the duty on salt and restore that item. That seems to me rather a peculiar attitude to take up. The Government have accepted the proposition to reduce the duty on salt, they are willing to carry on as best as they can within the sum at their disposal. There was no complaint of any sort before this House. (*A voice*: 'Honourable Mr. Cook did complain.') No, that was merely an observation. There was only an observation, and not a complaint. If there was a complaint, then my Honourable Friend, Mr. Cook, would have referred to it or would have asked us to restore this grant. It was only an

observation; I think I can also make an observation that it is very unfortunate that Government have got to waste such a large amount this year, and I am very sorry for it. I quite sympathise with all Members of the Government that they have to carry on with a smaller amount. But that is all right so far as sympathy goes. But if they want to raise this tax on salt, then I would strongly oppose it, for the reason that it has been admitted, and very rightly too, that the other House has behaved very well indeed by reducing what they could vote upon and inducing Government to accept items where their hands could not possibly reach. They have put the Government to the necessity of effecting retrenchment and economy in several directions, and particularly in a matter into which they could not possibly put their hands. That was a very reasonable way of doing things. Even the paper that has been quoted to-day and made much of and which speaks against us, even that paper admits that the measure that was voted upon was good. Only it thinks that it should not have been done now, it should have been done half an hour later or two hours earlier. That is a different thing altogether. On all these grounds, therefore, this tax of all things, which touches the poor in this year's budget, is an unfortunate one. The poor man will remember it when he is dining because there is less of salt. The poor man will remember this Budget when he is going out because the railway fares have gone up. If he wants to complain to Government, he will say:

'Oh, I used to send my letters for half anna, now I have to pay one anna to send a letter.'

Every act of the poor man's life has been by some strange fatality taxed in this year's budget. I did not like to say much about it, for the simple reason that money had to be found from some source or other. But it has been said that this money has to be found and if the Government is willing to utilise it, we must restore it to what it asked for originallly. That, I think, is going beyond the position. If the Government is willing to lie on the bed as it has been spared, I say, 'All right, let the Government do so.' If they do so, it will be just for everybody concerned. For these reasons, Sir, I oppose the proposal to raise the tax to Rs. 2-8-0 per maund.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I should like to add one or two words to this debate, in view of certain remarks that fell from my Honourable Friend, Sir Edgar Holberton, which, I find, have not yet been answered. I was rather surprised, I must say, when he rose to move this amendment. I was carefully watching him when he was on his legs to see if he was at all serious about this amendment. If he was serious, I can only say that he was flogging a dead horse.

As regards the gallant Colonel, the Honourable Sir Umar Hayat Khan, who rose to support the amendment, I am not a bit surprised. We all know that the gallant soldier is always ready to support Government in season and out of season unless his pocket is touched. . . .

The HONOURABLE SAIYID RAZA ALI: He is not the only person who supports the Government.

The HONOURABLE SIR MANECKJI DADABHOY: And he made it clear to-day that the land-revenue should not come in for a share of the additional burden. So one can really understand his enthusiasm in this matter.

As regards the remarks which fell from the Honourable Sir Edgar Holberton, I must say I am profoundly surprised that he should come to the rescue of Government after the most explicit and lucid statement made by the Finance Member this morning. The Finance Member has accepted the decision of the Legislative Assembly as it is now an accomplished fact. He has, of course, protested and he has certainly given his reasons at length against the action of the Legislative Assembly, but in view of the well-considered and unanimous decision of the Assembly, he has actually accepted the decision as concluding the question. My Honourable Friend, Sir Edgar Holberton, has asked us, as a revising Chamber, to revise the decision of our friends in the Assembly. It is for this very reason that I am opposing my friend's motion. I think it is prudent on the part of the Members of this House as a revising Chamber to respect the well-considered opinion of the other House. When the Assembly, after due deliberation and after a careful consideration of the *pros* and *cons* of the situation have arrived at a decision, it is incumbent upon this House to respect that decision when we find that that decision is in consonance with public opinion outside the two Councils. My Friend has also said that we are going a little bit too far and that the proposal about additional salt taxation ought to have been adopted in the present great financial emergency of Government. My Friend forgets the past history of this tax. In fact, Finance Member after Finance Member has said in previous years that the salt tax is an ultimate reserve in the hands of Government to meet emergent periods. Now that Government is going in for a wholesale policy of taxation, and has tapped every available source

of taxation to the extent of Rs. 30 crores, is it not politic, I ask, is it not expedient, that the Government should keep up their sleeve some form of taxation which may relieve, or at least go to their aid in relieving, a future financial crisis? I say the position taken up by my Honourable Friend is wholly untenable, and I therefore strongly oppose this amendment.

The HONOURABLE MR. C. A. INNES: Sir, I hope the Council will excuse me if I deal very briefly with Sir Edgar Holberton's amendment. I do not propose to follow either Sir Edgar Holberton or the other speakers who have spoken on the merits of the case. On that aspect of the question all I have to say is this. I still consider, and I have always considered, that having regard, on the one hand, to our financial necessities, and having regard, on the other, to the economic effects of this enhancement of the salt tax, we are absolutely justified in placing that proposal before the Indian Legislature. But I would ask the Council to consider our position. Definitely and of set purpose we did not proceed in the way in which we might have proceeded. We did not enhance the salt tax from Rs. 1-4-0 to Rs. 2-8-0 a maund merely by notification under the Indian Salt Act. We knew that this tax was a tax which was opposed to public sentiment, and we deliberately decided that we would submit the proposed enhancement of the tax to the verdict of the Indian Legislature. We placed the case as fully as we could before the other House. We warned the other House of the dangers of leaving our deficit, or a great part of our deficit, uncovered, and for reasons which are known to this House, the verdict of the other House was against us. Sir Edgar Holberton has suggested that that verdict was possibly a hasty and ill-considered verdict . . . .

The HONOURABLE SIR EDGAR HOLBERTON: Not ill-considered.

The HONOURABLE MR. C. A. INNES: He has suggested that possibly, if we gave the other House an opportunity of reconsidering the matter, their decision would be in the way in which he wants it to be. But, Sir, I think it is evident from the tenor of the speeches which have been made this morning in the Council of State that there is no foundation for that hope. The position of Government is, we deliberately sought the verdict of the Indian Legislature on this proposal, and we have received that verdict. However much we may deplore it, however much we may fear the consequences of that verdict, yet Government have decided to accept it.

The HONOURABLE SIR ARTHUR FROOM: Sir, before I discuss the merits or demerits of the Salt tax, I should like to ask the Honourable Member for Government who has just spoken whether we in the Council of State are to understand that Government has accepted the verdict in another place and therefore, to put it briefly, will not listen to the opinions expressed in this House. I do not like that way of looking at, or that method of dealing with, our amendments. Sir, before I came into this Council to-day, I was told on many sides:

> 'There is no use your supporting such-and-such an amendment which is against the verdict of the other place, because you won't get any support from Government benches.'

I did not think that that could be so. I understood that Government would listen to a well-thought out debate and vote after considering that debate and not form their conclusions beforehand from what has taken place in another House. Well, Sir, to revert to this salt tax, I must admit that I had no personal knowledge of how its incidence was felt by the poorer people of this country. The salt tax or the revenue that the Finance Member hoped to obtain from it attracted my attention. He hoped to obtain during the ensuing year Rs. 430 lakhs, and I believe in the following year Rs. 5 crores. That figure seemed to me to be so substantial, that I asked some of my Indian friends how this tax would be felt by the people of India as a whole, and, Sir, the general reply received was, that it would not be burdensome, but that it was against the sentiment of the country. Now, Sir, I put it to you and to this House, is the taxation in the country to be ruled by sentiment? I went to considerable pains and I asked not one of my Indian friends,—I asked several of them—and that was the tenor of the reply, that it would be a mistake for this Council to put back the salt tax to Rs. 2-8-0 per maund, because it would be against the sentiment of this country and probably it would be made use of as a lever for further political agitation. Having elicited that opinion from my Indian friends, an opinion which, as I have said, was that this additional salt tax would not be a burden on the poor man, I support the amendment moved by my Honourable Friend, Sir Edgar Holberton.

The HONOURABLE MR. C. BOROOAH: Sir, I would entirely agree with the Mover of this amendment if the salt duty had been the only duty which the poor man has got to pay, but unfortunately there are many other duties. There is the duty on Piece-goods, there is the duty on Sugar, there is the duty on Kerosene, and the duty on Matches,—in fact, there is a duty on almost every necessity of everyday life, of the rich and the poor alike. Again, these are the taxes imposed by the Central Government; over and above these there are taxes imposed by the Local Governments.

Then, if a man owns a bit of land, he has got to pay also land-revenue and local rates. If he happens to live within a municipality he has got to pay municipal taxes also. Of course, it is said that the salt tax would not be felt appreciably by the people, because the increase would be only three annas per head per annum. I beg to submit that an increase of three annas per head in addition to these numerous other taxes would be most certainly very appreciably felt by the people whose average income is not more than three rupees a month. I therefore oppose the amendment.

The HONOURABLE MR. E. M. COOK: I beg to move that the Question be now put.

The HONOURABLE LALA RAM SARAN DAS: I rise to strongly oppose the amendment. The ordinary people, I mean the masses, do not understand what deficit in a budget means, and whenever there is any increase in taxation they always resent it. At the present moment, when on purely economic grounds there is great distress in the country, I would strongly request the Honourable Mover of this amendment to withdraw it, for to put the poor people to more pinch is quite unjustifiable. I cannot follow the argument that because they pay the increased tax on clothing, on sugar, and on kerosene, why should they not pay the increased duty on salt? Wherever we can spare the people in taxes, we ought to. My Honourable Friend, Sir Umar Hayat Khan, if I remember rightly, opposed the increase in salt tax in the speech which he made on the 8th of this month, and I cannot understand why in a few weeks' time he is contradicting that statement. (*The Honourable Sir Maneckji Dadabhoy:* He has become wiser.) With these few words I oppose the amendment.

The HONOURABLE THE PRESIDENT: The question is:

'That in clause 2 of the Bill for the words 'at the rate of one rupee and four annas per maund' substitute 'at the rate of two rupees eight annas per maund'.'

The amendment was rejected.

The Council adjourned for Lunch till a quarter to Three of the Clock.

---

The Council re-assembled, with the Honourable the President in the Chair.

The HONOURABLE THE PRESIDENT: The question is:

'That clause 2 stand part of the Bill.'

The motion was adopted.

Clause 2 was added to the Bill.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I want to move that the following sub-clause be added to clause 3 of the Bill, namely:

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894 . . . . '.

The HONOURABLE THE PRESIDENT: Has the Honourable Member given me a copy of that amendment?

The HONOURABLE LALA SUKHBIR SINHA: Yes, Sir.

The HONOURABLE THE PRESIDENT: Will he read it?

The HONOURABLE LALA SUKHBIR SINHA:

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. shall be substituted.'

The object of my amendment is that the present duty on the export of hides and skins is 15 per cent. I want to increase it by 50 per cent. that is to say, that this rate 15 be increased to 22½ per cent., that is by 50 per cent.

The HONOURABLE SIR ARTHUR FROOM: May I ask whether this appears on the List?

The HONOURABLE THE PRESIDENT: I have not got the amendment yet, but I understand that it deals with an amendment to the Third Schedule of the Indian Tariff Act, 1894, and the question arises whether the Third Schedule is open to amendment. I think it is open to amendment. The preamble to the Bill runs—

'further to amend the Indian Tariff Act.'

If those who drafted the Bill intended to restrict the amendment of the Bill to Schedule II, they would have said so in the preamble. It is open to the Honourable Member to move his amendment.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I beg to move:

'That with effect from the first day of April 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. shall be substituted.'

Sir, at present the duty on the export of hides and skins is 15 per cent. I propose that it may be raised to 22½; that is, by 50 per cent. Sir, at present many new leather factories have been started at Agra, Gwalior, Cawnpore, Bareilly and other places,—Meerut also—and, therefore, more

hides and skins are wanted for their own manufacture. At present the quantity of export of hides and skins out of India is no less than 42,000 tons every year, and the value of these hides is as much as about 5 crores. If my amendment be accepted, this export of hides and skins will go down, and the result will be that more hides will be available in the country for being manufactured in these local mills. The price of manufactured leather goods that come now from outside is high, while the leather goods made in the country are much cheaper, and if the hides and skins will not be exported so much as it is now, I think the price of leather goods will still go down, and the consumers will be much benefited. It may be said that the present dealers in this trade in hides and skins will suffer. But I may point out that these dealers and merchants who deal in the export of hides and skin will begin to manufacture those hides and skins here in the country, and it will be a new occupation for them, and more profitable. Sir, if the quantity of hides and skins exported will go down, I think it will have a salutary effect on the number of cattle also. At present we find that excepting cattle dying a natural death, many are killed for this purpose and poisoned also in the country. It cannot be denied that this will be stopped; and, therefore, on economical grounds I put this amendment before this Council for acceptance. The Honourable the Finance Member stands in need of money, and in this amendment I suggest to him a new source of income. It may be said that since this duty on the export of hides was placed in 1919 the export trade has suffered much; it has gone down by half. But I think if we raise this duty by 50 per cent., the income will remain the same, or may be more, and therefore, looking to the deficit in the Budget, I think it is desirable to raise this duty from 15 to 22½ per cent.

The HONOURABLE THE PRESIDENT: To the clause under consideration amendment moved:

'The following sub-clause be added, namely, with effect from the 1st day of April 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. be substituted.'

Honourable Members will not find the Schedule III in the Bill at all, but as the clause is so drawn as to open the whole of the Tariff Schedules, I cannot hold the amendment out of order.

The HONOURABLE SAIYID RAZA ALI: Sir, I was really wondering as to what was the object of my Honourable friend in moving this amendment. He has made a fine speech; he has tried to impress us with the necessity of increasing our revenues; there is no doubt that is a perfectly legitimate object, having regard to the character of the Budget with which we are faced this year. But, Sir, my Honourable friend in a rather unguarded moment gave himself away towards the end of his speech when he said that his motion, if adopted, would probably result in a reduction in the number of animals that are slaughtered. That, I take it, Sir, is the real object that he had in view. Let me say at once that I have very considerable sympathy with the object which is so dear to the heart of my Honourable friend; and, in fact, the indiscriminate slaughter of animals in this country is a gross abuse and the sooner the abuse is removed and matters improved, the better it will be for the country. I do not agree, Sir, with the first euphemistic ground with which he tried to support his proposition, namely, that a large number of tanneries had recently been opened and, therefore, in the interest of those tanneries it was necessary to put an additional export tax on raw hides. Figures are always very uninteresting, but if the figures for the past three years with reference to this trade are gone into, it will be seen that the trade has been in a very bad way since the year immediately succeeding the termination of the war. In the year 1919-20, the trade did all right, but since then it has gone from bad to worse, and if the export tax is raised, I am afraid the trade will receive a more severe blow than that from which it is already suffering under the existing stringent conditions. Now, if I may be allowed to go into dry figures, it would appear that this trade in the year 1919-20 amounted to a little over 20 crores of rupees. In the year 1920-21 the amount fell to 4,74 lakhs, and in the current year the figures are about the same as those for last year, namely, 4,77 lakhs. I may point out that these are figures for the ten months in each year, 1919-20, 1920-21, 1921-22, the year beginning from the 1st of April and ending the 31st of January next. We have not got the figures for the entire 12 months, but I think we can safely rely on these figures for 10 months in each of the past three years. They will show how severe a blow has been dealt at this trade, and the natural result of the amendment which my Honourable friend has brought forward this afternoon would be that additional taxation would automatically result in a decrease in exports; which again means that we will not even get what we have been getting up till now in the shape of revenue. My Honourable friend wants to help Sir Malcolm Hailey, but I doubt whether Sir Malcolm will have any cause to thank him, inasmuch as an additional tax will result in decreased export.

Quite apart from the sentiments and feelings of my Honourable friend, with which I am in very great sympathy, as a business proposition the amendment brought forward by him is, I am afraid, very unsound. Therefore, on financial considerations alone, that amendment should not find acceptance at the hands of this Council.

The HONOURABLE MR. C. A. INNES: Sir, I desire to associate myself with the remarks which have fallen from my friend, the Honourable Saiyid Raza Ali. I think, Sir, that if the Mover of this amendment had studied the matter with the same care as Saiyid Raza Ali, he would not have made this proposal. I oppose the proposal on two grounds. In the first place, this Bill is a Finance Bill, and, on principle, I object to proposals in a Finance Bill which have not as their object the gaining of revenue but have other motives. If the Honourable Mover desires to limit the killing of cattle in India, he can move a Resolution to that effect, or he can introduce a Bill. But, Sir, he should not . . . .

The HONOURABLE LALA SUKHBIR SINHA: That is not my object at all.

The HONOURABLE MR. C. A. INNES: Then I will leave that point. I will merely follow Saiyid Raza Ali in dealing with the course of the raw hide trade. We imposed an export duty of 15 per cent. in 1919. Unfortunately we imposed that export duty just on the eve of a very great slump in the trade. I do not think that anyone will say that the imposition of our export duty was the cause of the slump. The slump was due to world factors, general stagnation of trade, very largely arising from the fall in foreign exchanges, which precluded our best customer for raw hides, namely, Germany, from buying our hides. But, whatever the cause, the slump, the stagnation is there. I have the figures here which confirm what Saiyid Raza Ali has already told us. In 1913, we exported 56,000 tons of raw hides from India; in 1919, 49,000 tons; in 1920, our exports dropped to 25,000 tons and, in 1921, they dropped to 23,000 tons. The Council will see that this important trade is in a state of very great depression. The effect of increasing the export duty by 50 per cent. would be to decrease our exports and to increase the depression of the trade. It might kill the trade altogether. It certainly would not bring in revenue, but would probably reduce the revenue we hope to get from this export duty this year.

I oppose the proposal on another ground. The hide trade for the last year has been objecting to this export duty. It has been pressing the Government of India to take off the duty, and the reply we gave them was that they should lay their case before the Fiscal Commission. Now, Sir, there is great contention as to whether export duties are salutary duties or not. I do not desire to express an opinion one way or the other; but I do desire to point out to the Council that, as I happen to know, the Fiscal Commission has this whole question of export duties in general, and the export duty on hides and skins in particular, under consideration at the present moment. We expect their report in a few weeks' time. I have shown that we shall get no revenue under the proposed increase of the export duty, and I put it to the Council that, in these circumstances, the wise thing for this Council to do is to await the submission of the Fiscal Commission's report and not to commit itself to this proposal. I beg to oppose the amendment.

The HONOURABLE THE PRESIDENT: The question is:

'That the following sub-clause be added to clause 3 of the Bill, namely:—

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. be substituted.'

The amendment was rejected.

The HONOURABLE THE PRESIDENT: We will proceed to the Schedule later, but in the meantime I will put clause 3, subject, of course, to such amendments as may be made in the Schedule.

The question is:

'That clause 3 stand part of the Bill.'

The motion was adopted.

Clause 3 was added to the Bill.

The HONOURABLE THE PRESIDENT: We will now deal with the Schedule which Honourable Members will find at page 3 of the Bill. I will read item by item and if any Honourable Member wishes to speak on any item, he will doubtless rise and stop me.

(The Honourable the President then read the headings and items under Part I of the Schedule, from 1 to 26.)

The HONOURABLE THE PRESIDENT: The question is:

'That Part I of the Schedule stand part of the Bill.'

The motion was adopted.

Part I of the Schedule was added to the Bill.

(The Honourable the President then read the headings and items in Part II of the Schedule, from 27 to 44).

The HONOURABLE THE PRESIDENT: The question is:

'That Items 27 to 44 of Part II of the Schedule stand part of the Bill.'

The motion was adopted

The HONOURABLE MR. LALUBHAI SAMALDAS: Sir, I beg to move the following amendment:—

'That the words '11½ per cent.' be substituted for the words '11 per cent.' in the column with the heading 'Rate or duty' on page 7 of the Bill, against 'Cotton piece-goods'.'

Sir, I had better begin by saying that although I sympathise with the Honourable the Finance Member as every Member of the House, official as well as non-official, in his present difficulty, my amendment is not put forward with the idea of helping him out of the difficulty, as I would like him to do it himself. My idea is also not to raise any conflict with the other House, because although this proposal was made in the other House and thrown out, I can say more accurately and more correctly than was said by the Honourable Sir Edgar Holberton in connection with his Resolution, that it was done in a hurry. Had it been very carefully considered there I believe it would have been accepted. As it was, there were two proposals, one for keeping the duty at 15 per cent. and the other for reducing it to 11½ per cent. Unfortunately both got mixed up and the amendment for 11½ per cent. was thrown out. So, it is not with the idea of raising any conflict with the other House that I am moving this amendment. I know we are a revising Chamber, but I do not want to exercise the right of revision merely for the sake of showing our strength. I hope I have made it clear that it is not with the idea of finding money for the Finance Member, nor with the idea of raising any constitutional question with the other House that I am moving my amendment. I am moving it to establish the principle that the Government of India has the power to raise any duty without in any way increasing the countervailing excise duty. I want that principle to be established once for all, and in doing so, I will have to go back to what has been called the melancholy history of the Excise duty for a short time only, Sir. I would not go back to 1896 and refer to what was done then, nor shall I refer to the strong agitation carried on against the cotton excise duty up to the time that the import duty was raised to 7½ per cent. while the cotton excise duty was kept at 3½ per cent. That was the first move made by the Government of India to show to Manchester and to the Secretary of State that it was free to raise the import duty without in any way increasing the countervailing excise duty. I do not know, Sir, whether my information is correct—I stand open to correction—but I believe that this action was taken by Government at the time when India made a gift of a hundred million pounds to Great Britain during the war. If I am correctly informed, it was more in the form of a treaty that this action was allowed by the Secretary of State. Then we come to the second stage. That was last year, Sir. That was free action on the part of the Government of India, and the Secretary of State was not able to oppose it then. It was for the first time that the Government of India was free to impose any import duty for revenue purposes only (I want to make that point quite clear) and that it was not bound either by the orders of Manchester through the Cabinet or by the direct orders of the Secretary of State to impose an equivalent countervailing duty. We now come to the third stage. This year we are passing through a very severe crisis. As it is, after the taxes that have been reduced by the Assembly, my friend, the Honourable Mr. Cook, said that we were in a very serious difficulty. I believe the Honourable the Finance Member emphasised that point by saying that our financial position was really a serious one. I want to ask, Sir, a direct question. The Finance Member put down after very careful consideration, the proposal to increase the import duty on piece-goods from 11 to 15 per cent. and that the excise duty should be increased to 7½ per cent. at the same time. I hope the Finance Member will not mind my quoting him. He said:

'I do not think that even the most malignant of our critics can accuse us of raising the cotton excise duty for the purpose of counterbalancing the import duty on foreign manufactures.'

We ought to take his word as such, and take it that he made these proposals merely for the reasons assigned by him. In the preceding paragraph he says that the idea was—

'to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties; in other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.'

That meant, Sir, that although not directly influenced either by the Secretary of State or by any other influences, somehow or other his sub-conscious self—I hope the Honourable the Finance Member believes in sub-conscious self and also that the Honourable the Finance Secretary does so—thought that it would be much better to preserve the general difference between these two taxes. They may have thought that if the proposal was sent to the Secretary of State in any other form—and all these fiscal proposals have to go there—that the Secretary of State might veto it. It would have been the work of his sub-conscious self. I do not for a moment want to suggest that it was otherwise. I accept what has been stated both by the Honourable the Finance Member and the Honourable the Finance Secretary that there was never any idea of placating Manchester or that they received any direct or indirect instructions from the Secretary of State. But there was a sub-consciousness, a fear, at the back of their minds, which the conscious self did not know, that it will be much better to have the same difference between the two duties which exists at present until the Report of the Fiscal Commission was out.

In the other House the first duty that was removed was the Cotton excise duty; then came this question, the consideration of the import duty. All of a sudden some of my friends, who were ardent Protectionists, began to have a very soft corner in their hearts for the consumers and desired to support the proposal of the representatives of the European trading firms; and one was surprised to find Government, which was sorely in need of money, accept that proposal and give up one crore and forty lakhs of rupees which would have reduced their deficits to seven crores and seventy-six lakhs. When one sees the Government Members, the mill-owners, the representatives of the Democratic Party, the other Party, and the Independent members, both European and Indian, going all of a sudden to the same Lobby, one thinks Government must have some reason for all at once coming to this conclusion of giving up one crore and forty lakhs. which really meant a large amount of money and would have helped the Finance Member to carry on for some time. That I am not in any way exaggerating the difficulties of the Finance Member, or exaggerating his own point of view will be apparent to those who have carefully studied his budget speech. He said:

> **'The country cannot, if it has any regard for its credit or any thought for its future solvency, take refuge in the simple course of leaving the whole or even the greater part of this deficit uncovered, and, further, that, quite apart from such considerations, it would not be a practicable proposition to do so, even if we tried.'**

And yet when he had definitely made proposals for getting more money out of the general tax-payer he goes out of his way and all of a sudden says:

> **'Well, I am prepared to give it up.'**

In reply to the Honourable Mr. Sethna, he said—if I understood him rightly—

> **'that he was prepared to face the difficulties, face the disturbances, if he could get five crores and forty-five lakhs, that is, the amount the total import duty would have brought him. But for one crore and forty lakhs I was not prepared to face or take the risk of internal disturbances.'**

May I remind the Honourable the Finance Member that the words he used in the other place was not 'internal disturbances' but, if I remember aright, 'undesirable political consequences'. . . . . .

The HONOURABLE SIR MALCOLM HAILEY: No, Sir, I am afraid I did not use the words 'internal disturbances' here this morning or in the other House; nor speaking to the best of my recollection did I use the words "unpleasant political consequences'. What I said was that it would not by worth the general disturbance that it would cause; 'internal disturbances' would refer to an entirely different matter and I am sure that I did not use those words on either occasion.

The HONOURABLE MR. LALUBHAI SAMALDAS: I will accept what the Honourable Finance Member says; but I have a distinct recollection that the reference was to political consequences. It is a question of one man's memory against another's. . . . .

The HONOURABLE SIR MALCOLM HAILEY: It may have been by somebody else. I referred to 'general disturbance'.

The HONOURABLE MR. LALUBHAI SAMALDAS: The Finance Member was prepared to accept general disturbances when he laid a heavy salt duty. He did not mind if the poor man's salt was taxed. He did not mind if the mill-owners were taxed, for some economists will agree with him that the removal of excise duty will benefit the mill-owners and mill shareholders. It never occurred to him then to have pity on both the classes, so long as he was getting within his net the poor man with his

salt duty, or the rich man with his cotton excise duty. It never occurred to him that there was any danger of general disturbances till then; he never thinks of it; but all of a sudden the idea of general disturbances comes to his mind when the import duty . . . . . .

The HONOURABLE SIR MALCOLM HAILEY: I am very loth indeed, and I am sure the Honourable Member will not accuse me of discourtesy if I correct him again. I have tried to impress on the House that the words I used were 'general disturbance', in the singular, and made no reference to rioting.

The HONOURABLE MR. LALUBHAI SAMALDAS: 'General disturbance.' I now take it that it was not political or internal disturbance but economic disturbance in trade that my friend meant. If that is so all I can say is that I am not prepared to accept that inference. If there was likely to be disturbance, owing to high prices, it would have occurred if both duties had been levied, for the poor man would have to pay as much both for the mill-made cloth and foreign imported cloth. I agree to a very great extent with what the Finance Member and Finance Secretary have said, that the price of mill-made cloth will automatically go up, very near, though I do say entirely, equal to imported cloth. If cotton excise duty goes, and this duty remains, I don't think there would be any economic disturbance of such a character as would justify the Finance Member giving up one crore and forty lakhs of rupees. I say that there is a feeling—it may be unjustified—that this has a political aspect. I want the Finance Member to assure us that it is absolutely nothing of the kind, and give us his reasons why, in a fit of generosity, he gave away one crore and forty lakhs without having anything in return either from the mill-owners or from the poor. That is the thing I would like to be made clear at this stage. . . . . .

The HONOURABLE THE PRESIDENT: Has the Honourable Member actually moved his amendment? It seems rather a long time since he commenced to do so.

The HONOURABLE MR. LALUBHAI SAMALDAS: Yes, Sir, I have formally moved the amendment. If you think I have taken very long, I will come to an end. I wanted to raise this issue and have the whole position made clear, not because I want to find money for the Finance Member, or to raise any controversy in the other House, but because I want the right of the Government of India to be established once more that I move the amendment. With these words I commend my amendment for acceptance.

The HONOURABLE MR. SETHNA: Sir, I desire to support this amendment. I do not do so with the idea that this amendment if passed will bring in a substantial amount of revenue to meet to an appreciable extent the very heavy deficit of 9 crores and 16 lakhs of rupees, because the proposed increase of 4 per cent. on the duty on imported piece-goods would have brought in one crore and forty lakhs and the increase as suggested in the amendment at ½ per cent. will only bring in 17½ lakhs. Therefore, Sir, it is not on the score of adding largely to the revenue that this amendment has been moved, and this has been clearly explained by the Honourable Mover. The Honourable Mover has taken exception to the Government giving up, without even a sigh of regret, so large a sum as one crore and forty lakhs which could have been obtained by levying duty at the higher rate. The Honourable the Finance Member, in the course of the discussion, very forcibly explained that this was done to prevent a 'general disturbance' in trade, and I use the word advisedly in the singular. This morning I pointed out to the Honourable the Finance Member that a similar 'general disturbance' might reasonably have been expected during the current year when there was no increase in cotton excise but there was an increase in the duty on imported piece-goods from 7½ to 11 per cent. On the contrary, I think the Honourable the Finance Member, who is a keen student of all industrial questions, knows full well that the Indian mills during the year 1921 have not made as much profits as in 1920. Therefore, this advantage, which he thinks Indian mill-owners had, did not create the 'general disturbance' in trade to which he has referred, and a similar or further 'general disturbance' would not be created if the cotton excise duty were left at 3½ per cent. and the duty on imported piece-goods raised to 15 per cent.

Sir, in the much quoted telegram regarding the article in the 'London Times', to which reference was made this morning, it is stated that the Assembly voted against increasing the duty upon imported piece-goods because it desired to appease Lancashire. There is surely no such desire either on the part of the other House or on the part of this Council. The main idea is to assert our right that we are masters in our own house, and this amendment which proposes an increase of only half a per cent. is for the purpose of establishing this principle and no more. For this reason, Sir, I think it right to support the amendment.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I rise to oppose this amendment on grounds of expediency and good policy. I think the Legislative Assembly acted with great prudence in summarily rejecting a similar amendment when it was proposed in that House. . . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: Not summarily.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, summarily. I was present in that House when this amendment was discussed.

Sir, the Honourable Mover and the Honourable Mr. Sethna, who has given his support to this amendment, have urged that it is not from the point of revenue that they are pressing for this amendment. I understood them to say that their great desire was to show to the country that they were masters in their own house. . . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: To show our strength to Lancashire.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, to show our strength to Lancashire. Also, as the Honourable Mr. Lalubhai put it, on the ground of principle to show that we are in a position to destroy the contravening character of the duty. Now, I submit, that if that be the ground, the position which my Honourable friends have taken up has already been vindicated when last year we raised the duty from 7½ per cent. to 11 per cent. We do not want the vindication of that principle every year. That principle was thoroughly vindicated last year and stands good to-day. So on the ground of principle, my Honourable friend has no substantial case. My submission, Sir, is this that the Fiscal Commission is now sitting and the Government have very wisely adopted the Resolutions of the Legislative Assembly and have not pressed in this Council reconsideration of the case by any further amendment. The 3½ per cent. original excise duty has been allowed to be retained and the 11 per cent. duty on imports has been kept. The Fiscal Commission is now making a full investigation into the whole subject. A considerable mass of evidence has been recorded before that Commission, and it is giving very serious consideration to this one of the most complicated and important of problems. My Honourable friend does not know what will be the result of his amendment. He wants now that this tariff be raised by ½ per cent. The Fiscal Commission may perhaps come to some other decision, which I am not prepared to prognosticate at present, and they may come up with a declaration of some new policy. Are you realising the general disturbance to trade by these constant adjustments of tariffs? There is nothing more disastrous, there is nothing more ruinous to trade than these constant adjustments of tariff policy. They should be avoided as far as possible. We want a steady tariff. People cannot do any business; people cannot make their purchases and sales, when they know that the tariff is being constantly altered and meddled with by Government. They do not know where they stand; they do not know whether they are going to make profits or losses over their transactions. After all, when this principle which the Mover of the amendment has suggested has been previously vindicated, what great hurry is there at this juncture to insist upon this small increase? Could not my Honourable friend wait a little longer . . . . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: The change in the Secretary of State.

The HONOURABLE SIR MANECKJI DADABHOY: How is this going to prejudice you? I am not expressing my opinion on the subject one way or the other. My Honourable friend, Mr. Lalubhai Samaldas, has referred to the change in the Secretary of State. The new Secretary of State has not uttered a word at all on this subject; it is not possible for the new Secretary of State, on the eve of his appointment, to throw to the winds a most solemn and emphatic declaration on the subject made to the Lancashire deputation by Mr. Montagu. Is it possible, is it conceivable, that any Statesman who has got his reputation to maintain is going within a few days of his appointment to make a declaration contrary to one made by his predecessor in office.

I submit that no good purpose will be served by insisting on this amendment. I think the matter might be left alone at present. I quite agree with the Finance Member that there will be economic disturbance if this amendment is accepted and, as I have pointed out to the House, these economic disturbances are very unwise and ought not to be encouraged. In the interests of trade I hope this Council will have the good sense to reject this amendment.

The HONOURABLE SIR MALCOLM HAILEY: I do not know, Sir, whether I ought not really to have accepted the invitation of the Honourable Sir Maneckji Dadabhoy and left this matter to the Council without further argument. For, Sir, what is the avowed reason for putting this proposition before the Council? Not for money. No motive so sordid occurs

to the mind of my Honourable friend, nor is it for the purpose of raising a controversy with the Legislative Assembly. My Honourable friend is not in a heroic mood this afternoon. No, it is simply in order to emphasise the right of the Indian Legislature to impose an additional import duty on piece-goods whenever they care to do so, without raising the Cotton Excise Duties. This, then, is the important principle to assert which we are to put a half per cent. (only a half per cent., mark you) on to the general import tariff. Well, some years ago, as Sir Maneckji Dadabhoy has pointed out, we raised the duty to 7½ per cent. without raising the Cotton Excise Duty. A large deputation visited Mr. Chamberlain on that occasion. Mr. Chamberlain, though this deputation was representative not only of spinners and of manufacturers, but also of labour, gave it the reply that he had to consider the interests of Indian revenues and that, in the interests of India and of Indian revenues, the rate must be raised to 7½ per cent. without any increase of what is called the countervailing duty. Then, a less heroic Finance Member than Sir William Meyer, namely, my humble self, last year proposed an increase of general import duties to 11 per cent. Again deputations visited the Secretary of State, this time Mr. Montagu, equally insistent and equally numerous. What was the reply they got? Emphatically the same, that India's interests must be paramount and that he would not consent to put pressure on India to raise the Cotton Excise Duty. The matter did not end there; and I need only recall the declarations made in Parliament by both the Secretary of State and by Lord Curzon regarding the convention which, in certain defined circumstances, was to regulate India's fiscal autonomy. I do not believe that any further assertion of principle is now necessary; or that the case would be strengthened by the imposition of a half per cent. rate as proposed by the Honourable Member. You have got the 7½ per cent. behind you; you have got the 11 per cent. behind you, and what the Honourable Member now asks for, is an empty assertion of right which is entirely uncalled for and would serve no possible purpose. I might perhaps have left the matter there, but that the Honourable Member went somewhat further and suggested the whole matter was one which needed clearing up. He attributed a certain action taken by me to the influence of what I may or may not possess in private life, a sub-conscious self. In public business, I do not admit the influence of a sub-conscious self. We are accustomed to act either on the deliberations of Government where Government have discussed the question, or on our own judgment where we consider that we are justified in committing Government. As for my sub-conscious self, if it exists at all, the Honourable Member may be sure that it is locked up somewhere in its metaphysical cupboard; it does not accompany me to the office. Again, he suggests that if Government on a particular occasion finds itself in the lobby with various elements with which it is not accustomed to associate in a division, there must be something sinister about it; his detective mind seeks for some obscure and probably discreditable reason. Well, I for my part have already attempted both elsewhere and here to give a clear explanation of my reasons for the action I took. I have put them in as clear language as possible, and if that is not sufficient to dispel the doubts and suspicions of the Honourable Member's mind, then I am afraid that I cannot help him any further. It seems to me that when a responsible Member of Government has taken action largely on his own judgment on an occasion such as that referred to, in which his judgment must be swayed to a certain extent by what he sees going on around him in a deliberative assembly, and when subsequently he gives his explanation of the reasons which influenced him, he has a right to ask that that explanation should be accepted without suggestions that there is still some underlying motive behind it. I should never come here and suggest that an extra half per cent. (as now proposed) or an extra 4 per cent. (as originally proposed) on the general import duty would benefit the Honourable Member and his friends who hold shares in Bombay mills—or degrade myself by suggesting that the Honourable Member, sinking his sense of what is due to the country, advocated an increase in the import duty for purely sordid motives; and if I do not make that charge against the Honourable Member, I think he should in turn give me the courtesy of acquitting me of any purpose except that which I put forward to him. It may be that the purpose was insufficient; it may be that the reason was right, it may be that it was wrong; but that was the reason and there was nothing behind it. I am not responsible if the 'Times' in a leader considers that Members of the Legislative Assembly thought that they would be enlisting the sympathies of Manchester by the vote they gave. I gave my vote and my friends voted with me on that occasion on other grounds. We thought that we were justified in so voting, as I have said before, purely on the merits of the case. But let me leave this point, and return to the motion. I do not advise this Council to stultify itself by supporting the Honourable Member in an attempt to raise the import duty by half per cent. in order to assert a principle of which no

further assertion can possibly be required. I remember that in the old days certain American politicians were fond of indulging in season and out of season in a pastime which was described as twisting the tail of the lion. My friend in an excess of heroism to-day desires to follow the same example. It was never a profitable pursuit, it is not always a healthy one. I think it just as reasonable for the Honourable Member to ask the Council to vote a proposition of this kind as it was for the countryman in the story to spend a hot afternoon jumping on a toad in order that he might teach it to be a toad; I consider his attitude just as logical as that of the lady who bonnetted a policeman in order to prove her political capacity for recording a vote.

The HONOURABLE SAIYID RAZA ALI: I have an amendment on the same subject, Sir.

The HONOURABLE THE PRESIDENT: If the Honourable Member has got an amendment on the same subject, he cannot move it, because it has already been moved.

The HONOURABLE SAIYID RAZA ALI: But not the same amendment. My amendment is a different one. It is on the same subject, namely, on the raising of cotton import duty, but it is not the same as the one moved by my Honourable Friend, Mr. Lalubhai Samaldas. I simply want to know whether this is the time for me to move my amendment.

The HONOURABLE THE PRESIDENT: The question before the House is that the *amendment moved by the Honourable Mr. Lalubhai Samaldas be made.

The amendment was rejected.

The HONOURABLE SAIYID RAZA ALI: The next amendment on the same subject is mine on the printed paper. The amendment appears as No. 4. It reads as follows:—

'After Part V add the following:—

'Part V (*a*).—Articles which are liable to duty at 11½ per cent. *ad valorem*. 123(*a*)—Cotton goods'.'

The HONOURABLE THE PRESIDENT: I beg the Honourable Member's pardon. I read the amendment on the paper in his name as also 11½ per cent. which is the same as the one moved by the Honourable Mr. Lalubhai Samaldas and already disposed of. The only difference between his amendment and that of the Honourable Mr. Lalubhai is this 11½ per cent. Is that so?

The HONOURABLE SAIYID RAZA ALI: Yes, it is so.

The HONOURABLE THE PRESIDENT: Then that amendment cannot be moved as after the previous discussion it would be a frivolous amendment and I rule it out.

Item 45 was adopted.

Item 46 was adopted.

Part II of the Schedule was added to the Bill.

Part III. Articles which are liable to duty at 2½ per cent. *ad valorem*.

Items 47 to 57 were adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That Part III of the Schedule stand part of the Bill'.

The motion was adopted.

Part III of the Schedule was added to the Bill.

The HONOURABLE THE PRESIDENT: Part IV. Articles which are liable to duty at 10 per cent. *ad valorem*. Items 58 to 64. The question is:

'That Part IV of the Schedule stand part of the Bill'.

The motion was adopted.

Part IV of the Schedule was added to the Bill.

The HONOURABLE THE PRESIDENT: Part V. Articles which are liable to duty at 15 per cent. *ad valorem*. Items 65 to 86. The question is:

'That Items 65 to 86 of Part V of the Schedule stand part of the Bill.'

The motion was adopted.

The HONOURABLE SAIYID RAZA ALI: Sir, the amendment of which I have given notice and which has been printed stands in the following terms:—

'In No. 87, Part V, before the word 'carriages' add 'bicycles'.

* 'That the words '11½ per cent.' be substituted for the words '11 per cent.' in the column with the heading 'Rate of duty' on page 7 of the Bill against 'Cotton piece-goods'.'

Now, as a matter purely of drafting, it has been recast, Sir, and I believe the typed amendment is before you. It reads now:—

'In No. 87, Part V, omit the word 'bicycles' and re-insert it before the words 'Carriages and Carts' in both places where they occur'.

I will at once explain that 'bicycles' have been mentioned in item No. 127, to which I will come presently and are therefore liable to pay a duty, as proposed in the Schedule, of 30 per cent. *ad valorem*. What I propose to do is to take out bicycles from a duty of 30 per cent. *ad valorem*, and place them in Part V of the Schedule so that they may not be liable to duty exceeding 15 per cent. *ad valorem*. Sir, I will ask Honourable Members to consider this from a purely financial point of view. The amendment does not involve the consideration of any political questions or political principles. It is solely a matter of finance. The position, Sir, as we find, is that the Finance Bill has been considerably modified by the Chamber where it was introduced. As I took occasion to remark on the 8th March when the Budget discussion took place, the Budget of this year was, in fact, more favourable to the rich than to the poor. I cited instances to that effect that day, and in spite of the attempts that have been made by the other House to improve the character of the Bill, I am afraid it remains yet open to the charge that it favours the rich at the expense of the poor.

What is it that we find in the Budget? We find that machinery was included in those articles which were liable to pay the enhanced duty. Now, under pressure from very influential quarters, the Government have had to give in on that point. Heavy machinery is no longer liable to the additional duty and it has been transferred to a much more advantageous position in the Schedule. But, so far as bicycles are concerned, nobody has taken care to see as to what class of people use these handy machines and as to whether the additional tax would not press heavily on that class. I may at once explain that bicycles are at present chargeable with an import duty of 20 per cent. That we find in the Finance Bill that was passed last year. Now, this year it is proposed that an addition of 50 per cent. should take place and instead of 20 per cent. duty *ad valorem* they should pay a duty of 30 per cent. *ad valorem*. Now, I do not think it is necessary for me to state before the Honourable Members of this House that people who use these machines are, as a rule, not rich men; mostly, bicycles are used by men employed in various offices, artisans and clerks. These are men who with difficulty at times can afford to purchase a bicycle without paying the price by the instalment system. Now, my submission is that if you raise the duty by 50 per cent. that falls very heavily on this deserving class of people. If the objection against any additional taxation being imposed on machinery was that it would injuriously affect the industries in this country because people may in certain cases have to borrow the amount not having taken the additional tax into consideration, I submit, Sir, with much greater force, can the same argument be used in favour of those who use these cheap and handy machines. What I just want to satisfy Honourable Members about is that those on whom the tax would fall—and it is a right proposition that the tax falls on the consumer—can ill afford to bear this additional amount of taxation. Now let us see, Sir, whether from a business point of view, the raising of the duty on bicycles is justified and just. If the past figures be taken into consideration, it would appear, Sir, that the raising of duty on bicycles has been very prejudicial to this class of our import trade, and instead of the Finance Department getting more money by raising the taxation, in fact they have been getting much less than they used to get before the additional taxation came into force. I need not emphasise the importance of the law of diminishing returns as applied to additional taxation. If you raise your duty beyond the capacity of those who mostly consume or use a certain article,—if you raise the duty beyond that, then naturally, instead of your getting more money, you will be getting much less than you did before. This proposition becomes quite clear from the return of the past three years. We find, Sir, that in the year 1919-20, the value of bicycles imported was Rs. 22,79,872. Now the next year was a booming year no doubt, it was an exceptional year, and therefore the amount went up to a large figure, in 1919-20, the value of these articles went up to Rs. 86,34,047. But let us see what has been the fate of this class of articles ever since the duty was raised last year. We find, Sir, that in the 10 months—all the figures I have given to the Council are for ten months—commencing from the 1st April and ending on the 31st of January of the succeeding year, when the additional taxation remained in force, the value of imported bicycles fell to Rs. 12,70,305. No doubt, Sir, I am prepared to make every allowance in respect of the year 1920-21 which was an exceptional year. But there is no reason why the value of this imported articles should have fallen short very considerably of the value of articles that were imported in 1919-20. Again, if Honourable Members will look at the number of these articles imported, we find that whereas during the ten months of the year 1919-20 we imported 13,503, and during the corresponding ten months of the year,

1920-21 we imported 45,255 machines, in the current year during the corresponding 10 months, we imported only 4,173 machines which again shows, Sir, that, as compared with the number of articles imported in 1919-20 we imported only one-third of the total number. This conclusively shows, Sir, that, instead of getting more revenue by raising taxation, we have been getting less than we were getting before we did so. My submission is that if this part of the Bill is accepted and items Nos. 87 and 127 left as they are, with bicycles paying a duty of 30 per cent. *ad valorem*, then we will get much less than what we have received even in the bad current year. I do not know, Sir, if this proposition was put forward before the other House. The information at my disposal shows that it was not. I am sure that if these figures had been explained and the fall in the number of imported articles because of the increase in duty had been clearly shown, this Bill would not have come before us in the form in which it has, as the other House would not have allowed a duty of 30 per cent. *ad valorem* to be levied on these articles. Considering these facts, Sir, I submit that these two words be added to item No. 87 in Part V. This will necessitate a corresponding alteration in item No. 127. That alteration . . . . .

The HONOURABLE THE PRESIDENT: If the Honourable Member succeeds in his amendment he can move his consequential alteration in the other item. If he does not succeed, the question will not arise.

The HONOURABLE SAIYID RAZA ALI: Very good, Sir.

The HONOURABLE THE PRESIDENT: The amendment moved is to omit the word ' bicycles ' in item No. 87 in Part V of Schedule II, and to reinsert it before the words ' Carriages and Carts.'

The amendment is a little obscure, but the intention is to remove ' bicycles ' from the 30 per cent. *ad valorem* duty list to the 15 per cent.

The HONOURABLE MR. C. A. INNES: Sir, I am prepared to admit the Honourable Member's facts, but I am not prepared to accept the inferences which the Honourable Member has drawn from those facts. It is a fact that in the year 1921 there was a very large reduction in our imports of bicycles; but that very large reduction was not, in my opinion, merely due to the fact that we had raised the duty on bicycles to 20 per cent. This point can be best illustrated by giving figures of the number of bicycles imported in a series of years. In the five years ending 1919 the average number of bicycles which were imported in any one year was about 12,000. In 1920 that number rose to 54,000. Everybody knows that the year 1920 was a boom year, owing to the high exchange value of the rupee, and very large orders were placed with Home manufacturers for bicycles and other things; and as a consequence we began the year 1921 with very large stocks. The net reduction in our imports which has taken place in the year 1921 was, in my opinion, due much more to very large stocks we had at the beginning of the year than to the increase in the duty. I think there is not the slightest doubt about that. At the same time, I am prepared to admit that the 30 per cent. duty on bicycles is perhaps on the high side. We were rather doubtful about it ourselves, and after consultation we are prepared to meet the Honourable Member to a certain extent. But I am afraid that the Government cannot accept the amendment proposed by Saiyid Raza Ali. In the first place his amendment would leave items 87 and 127 of the tariff in a very curious form; and in the second place, having had great experience myself in the drafting of these two items, I know how extremely difficult it is and how extremely dangerous it is to make alterations in the wording of those items at a moment's notice. But what I am prepared to do is this. If the Honourable Member will withdraw his amendment, I on my part am prepared to give an undertaking that in the exercise of our powers under section 23 of the Sea Customs Act, we will remit so much of the duty as will bring it down to 15 per cent. I hope this will meet with the wishes of the Honourable Member. It may not involve an alteration in this Bill, but it does meet the Honourable Member's point.

The HONOURABLE MR. SETHNA: I hope, Sir, that the assurance given by the Honourable the Commerce Member will satisfy my Honourable friend. There is, however, one point, which I wish to bring to the notice of this House. The Honourable Mover has brought his amendment in regard to bicycles. I do not see why tricycles should not also be brought in, and I hope, that I am in order in requesting the Honourable the Commerce Member to include tricycles also in whatever action he decides to take.

The HONOURABLE MR. C. A. INNES: Certainly.

The Honourable Saiyid Raza Ali rose to speak.

The HONOURABLE THE PRESIDENT: The Honourable Member may ask for leave to withdraw his amendment.

The HONOURABLE SAIYID RAZA ALI: That is what I propose to do, Sir. But the only thing . . .

The HONOURABLE THE PRESIDENT: In doing so he may not make a speech.

The HONOURABLE SAIYID RAZA ALI: I don't propose to make a speech. Only I want tricycles also to be included. That is all. I beg to withdraw my amendment.

The amendment was, by leave of the Council, withdrawn.

The HONOURABLE THE PRESIDENT: The question is:

**'That Item 87 stand part of the Schedule'.**

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

**'That Items 88 to 96 stand part of the Schedule'.**

The HONOURABLE SAIYID RAZA ALI: I have got an amendment on Item No. 96, Sir.

The HONOURABLE THE PRESIDENT: The amendment apparently is that item 96 be omitted.

The HONOURABLE SAIYID RAZA ALI: No, Sir. That was the amendment I sent in, but subsequently I gave notice of another amendment. As it appears in the printed list, it would mean that this sort of machinery would not be liable to any duty which was of course not what I intended. As it at present stands, the amendment is this: Remove item No. 96 together with the heading and the two lines opposite the figure, from Part V and insert it at the end of Part II with 20 per cent. as the amount of duty, re-numbering it as 47.

The HONOURABLE THE PRESIDENT: I want a moment to consider the amendment. The Honourable Member seems to be in some difficulty with his amendment.

The HONOURABLE SAIYID RAZA ALI: This 20 per cent. is wrong. It ought to be 2½. That is my mistake.

The HONOURABLE THE PRESIDENT: Part III has already been passed, you cannot go back to Part III.

The HONOURABLE SAIYID RAZA ALI: We can certainly add to it.

The HONOURABLE THE PRESIDENT: The Honourable Member should have moved this amendment when Part III was under consideration. Had I been aware of the Honourable Member's real amendment, I would have advised him to move it at that stage. We have now passed the Schedule which deals with those articles which were liable to 2½ per cent.

The HONOURABLE SAIYID RAZA ALI: Since it is a purely legal point, I should explain that no doubt we have passed Part III, but even now it is open to us to add something to that.

The HONOURABLE THE PRESIDENT: The Honourable Member is not only entirely out of order but he is wasting the time of the House. If this amendment had been given to me earlier, or had been expressed in the terms intended, I would have drawn his attention to it in the place where he should have moved it; but he has allowed the opportunity to pass by. He can now speak on Item No. 96 if he wishes to do so, but he cannot now move his amendment.

The HONOURABLE SAIYID RAZA ALI: Sir, the present duty on the machinery mentioned in item 96 is 11 per cent. *ad valorem*. It is proposed now to raise it from 11 to 15 per cent. Now, the kind of machinery that is described in the item is generally used by manual or animal labour, and looking to the conditions that obtain in this country, I submit that it is very desirable that this kind of machinery should be encouraged. Now machinery of this character can be very useful in stimulating our cottage industries, and therefore I submit that the raising by a very substantial amount the duty on this class of articles is not at all desirable. (*A voice:* 'The duty has not been raised; it has been in existence for years'). If my Honourable friend will refer to Article 95 of Act VI of 1921 he will find that the duty on this article is 11 per cent. which it is proposed to raise to 15 per cent. There is a clear and definite increase to be made under this head, and if my facts are not wrong, then I say that looking to the quarter on which it will fall, it is clearly desirable that this addition should not be sanctioned. 15 per cent. is a very large amount, and looking to what has taken place in regard to other and more important kind of machinery, I submit that surely it is but just and right in the interests

of poor people and small trades that this duty should not be raised. I propose, Sir, that the duty of 15 per cent. should not be sanctioned and in any case it should be cut down to 2½ per cent. I cannot propose now, unless you give me special permission, as to where that item should be placed. But that is purely a matter of drafting. It can be placed anywhere. The real point is this, that this duty should not stand at 15 per cent. *ad valorem*, but should be cut down to 2½ per cent.

The HONOURABLE MR. G. A. INNES: Sir, I have had very considerable difficulty in trying to arrive at the exact purport of the Honourable Member's amendment. As it stands in the paper before me, it merely suggests that item No. 96 should be deleted. The effect of that deletion merely would be that these particular articles to which the Honourable Member refers would come under item No. 123—all other articles not otherwise specified, 15 per cent. Sir, that was my first difficulty in dealing with the Honourable Member's amendment.

The HONOURABLE SAIYID RAZA ALI: As to that I have handed in a subsequent amendment for 2½ per cent.

The HONOURABLE MR. C. A. INNES: Sir, ever since our tariff system has been brought into force, we have always distinguished between power machinery and small hand machines. Ever since 1895 we have had specially favoured rates for power machinery for factories in order to encourage large scale industries in India. The other machinery—small hand machines—have always come within our general *ad valorem* rates. It is quite true, as the Honourable Member says, that we have raised the rate from 11 per cent. to 15 per cent. this year, that is to say, we have added 4 per cent. on to the duty on these machines. But, Sir, I will point out that these machines, knitting machines, sewing machines, are the most important of that class. In this case the consumers will have to pay. I think the Council will be well-advised in leaving this machinery at the place where it has stood ever since we have had our tariff, namely, the general *ad valorem* rate.

The HONOURABLE THE PRESIDENT: The question is:

'That Item 96 (Machinery) in Schedule I stand part of the Bill.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That Items 97 to 123 in Part V of Schedule I stand part of the Bill.'

The motion was adopted.

Part V of the Schedule was added to the Bill.

The HONOURABLE SAIYID RAZA ALI: What has happened to Item 96?

The HONOURABLE THE PRESIDENT: The amendment was ruled out of order and the clause adopted as it stands.

The HONOURABLE THE PRESIDENT: The question is:

'That Items 124 to 141 in Part VI of Schedule I stand part of the Bill.'

The motion was adopted.

Part VI of the Schedule was added to the Bill.

SCHEDULE I was added to the Bill.

The HONOURABLE THE PRESIDENT: Since the Honourable Saiyid Raza Ali has withdrawn his amendment, the consequential amendment (Item 127) does not arise.

The HONOURABLE THE PRESIDENT: The question is:

'That clause 4 stand part of the Bill'.

The HONOURABLE SAIYID RAZA ALI: That is, subject to my amendment.

The HONOURABLE LALA SUKHBIR SINHA: I have also an amendment to this.

The HONOURABLE THE PRESIDENT: The Schedules will be taken later.

Clause 4 was added to the Bill.

We now turn to Schedule II of the Bill, the Schedule to be inserted in the Indian Post Office Act, 1898.

The HONOURABLE SAIYID RAZA ALI: Sir, I beg to move—

'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'Letters' add—

'For a weight not exceeding half a tola in an embossed envelope . . . . . Three quarters of an anna.'

Now, Sir, we know that the three quarters of an anna stamp has been done away with under the Bill which is before the Council for consideration. We also know the important fact that the Telegraph Office is being

run at a loss and that the Honourable the Finance Member has to face a deficit under that heading. (*A voice*: 'The Post Office.')

The HONOURABLE MR. B. N. SARMA: Both together.

The HONOURABLE SAIYID RAZA ALI: In the speech delivered by the Honourable the Finance Member on the 1st of March both the departments have been dealt with together. I am not in a position to say as to what is the amount of loss under Post Office and what is that under Telegraphs . . . .

The HONOURABLE SIR MALCOLM HAILEY: A loss of 171 lakhs under the Post Office and a gain of about 80 or 90 lakhs under Telegraphs.

The HONOURABLE SAIYID RAZA ALI: I thank the Honourable the Finance Member for giving me this information. Therefore, Sir, in order to make these departments self-supporting, it is proposed to raise the postal rates. The proposal is to do away with the 3 pies post card . . .

The HONOURABLE THE PRESIDENT: Which amendment is the Honourable Member moving?

The HONOURABLE SAIYID RAZA ALI: The first one.

The HONOURABLE THE PRESIDENT: The first amendment seems to be later than the second amendment. If the Honourable Member will refer to the Schedule he will see that, under the heading 'Letters' apparently his second amendment refers to the first entry and not to the second entry, and he proposes to add his first amendment after the second amendment.

The HONOURABLE SAIYID RAZA ALI: The second amendment will come after the first.

The HONOURABLE THE PRESIDENT: I do not understand the amendment.

The HONOURABLE SAIYID RAZA ALI: My amendment is this: I just want to add that $\frac{3}{4}$ of an anna should carry all weights not exceeding half a tola; that is one. So far as weights above that are concerned, weights exceeding half a tola but not exceeding $2\frac{1}{2}$ tolas should be carried by a stamp of one anna. That is the second amendment. Nine pies, I propose, should be the postage payable on a letter not weighing more than half a tola. If this is carried it would necessarily involve a change in the rest of the clause in the Schedule as it stands. Therefore, in order to move the first amendment, I have to refer to the second one. I hope I have made my point clear.

The HONOURABLE THE PRESIDENT: I think I understand the Honourable Member's point now; but there was no necessity to put the word 'Letters' in his second amendment.

The HONOURABLE SAIYID RAZA ALI: I am sorry, Sir, I did that. My submission is that the policy of the post office in keeping their accounts in the manner they do is to a very large extent responsible for the supposed deficit. It appears that the system of accounting has undergone a certain change, and therefore the deficit with which we are faced appears much larger than it would if the accounts were kept on the older system. Now, I find in this big blue book at page 311 that under Interest on Debt it is stated:

> 'Owing to the transfer of capital outlay on the Indian Postal and Telegraph Department outside the revenue account it has been decided to make a charge to the revenue account of the department on account of interest on past outlay as in the case of capital outlay on railways and irrigation works. The debits on this account in the revised estimate for the current year and the budget for next year are estimated at Rs. 60 and Rs. 66 lakhs, respectively.'

This, I understand, means that before the current year no interest was chargeable on the outlay on the Post and Telegraph offices. I take it, Sir, that that is what it means. If that is so, it is a distinct departure in the policy on which the accounts are kept, and therefore in these two years the amounts of Rs. 60 lakhs and 66 lakhs have been shown, which ought not to have been shown if we had stuck to our old system of accounts. Now, the Honourable Sir Malcolm Hailey was good enough to give me the deficit figure relating to the Postal Department at Rs. 171 lakhs. Actually a very considerable reduction, if I am right, will have to be made in this figure. I am very anxious to know the details on that point, and I believe the Honourable the Finance Member will make it clear in his reply, although I will not have any right of reply . . . .

The HONOURABLE SIR MALCOLM HAILEY: Perhaps it will suit the Honourable Member if I point out to him what exactly happened. The interest that he refers to is charged only on telegraph capital expenditure and does not affect the post office side of the account. If we had followed

the old method of our annual accounts, we should have put down all expenditure on account of telegraphs to the revenue account instead of placing 140 lakhs to capital expenditure, and charging telegraphs only with the interest. The deduction which the Honourable Member draws is not therefore fully correct.

The HONOURABLE SAIYID RAZA ALI: I should like to know what was the system two years before.

The HONOURABLE SIR MALCOLM HAILEY: Two years ago, in dealing with telegraphs we put all expenditure down in our annual accounts to revenue, though, of course, we kept a *pro forma* account, showing separately capital and revenue expenditure.

The HONOURABLE SAIYID RAZA ALI: Now, Sir, so far as the explanation goes, I am told that it applies to the Telegraph department and not to the Post Office department. Since I am now dealing with the post office side, I shall not go into that question any further.

Sir, the question is as to what should be the policy of the State as regards the departments which serve the public and which are maintained for the service and convenience of the public. On this matter I may very briefly explain the departments concerned as also the Finance Department which seem to have come under the spell of the idea that these two departments, *i.e.*, the telegraph and the postal, are not maintained so much for the convenience of the public as to enable the State to get as large profits out of them as possible. The old theory on the other hand, as Honourable Members know, was that these are not the departments to which the State is entitled to look forward for revenue purposes but they were intended to promote the general convenience of the public. This was the theory that was put forward by the Post Office Commission in the year 1850 in their bulky report which has been referred to in his book by the present Director General of Posts and Telegraphs. This is how the policy is enunciated. I shall read out only two or three lines, and my Honourable Friends will see as to what has been the policy consistently followed till two years ago, and what is to-day the policy of Government. This is what he says:

> 'The report of the Commissioners is contained in a bulky volume of some six hundred pages, of which the preamble is most interesting and throws a great deal of light on the domestic history of India in the first half of the nineteenth century. The reforms are based throughout on the principle that the Post Office is to be maintained for the benefit of the people of India and not for the purposes of swelling the revenues, and it is greatly to the credit of the Government of India that in all times of stress and strain, as well as in times of prosperity they have loyally observed this principle, although there have been many temptations to act contrary to it.'

Commenting on this, I can only say that unfortunately the Government of India have fallen a victim now to this temptation, namely, to look to this department for purposes of revenue. Therefore, Sir, I say that it is the duty of the State as much as lies in its power not to exploit these departments for revenue purposes. It has been stated in his speech by the Honourable Sir Malcolm Hailey, that it has been found necessary to raise additional taxation with a view to meet the deficit.

I agree with the Honourable the Finance Member that an attempt should be made to raise taxation, but that should not go beyond reasonable bounds. The burden should only be so much as can be borne by the people on whose shoulders it is placed. It should not crush them. The present proposal is to raise the postal rates and to raise the minimum postage to one anna. My submission is that it is too high in view of the conditions prevailing in this country, when it is taken along with the fact that simultaneously the Bill aims at raising the value of the post-card to six pies. It is true, Sir, that it is our duty to help the Government in meeting the deficit. All the same I maintain that the Honourable the Finance Member is defeating his own object in raising the duty so high. I believe he knows what has been the effect of the raising of the postal rates in England. There that policy has resulted in a very huge drop in the number of letters, post-cards and printed circulars carried by post. Under letters alone the fall in number comes to cover 12 crores. Under post-cards the fall is much heavier, and under circulars and price lists the fall in number is represented by nine crores and fifty lakhs. As I said in another connection, of course there is such a thing as the law of diminishing returns as applied to this subject. If you raise the tax too high, naturally the result is that people do not make use of those articles or those channels which you are taxing. That in fact would be clear to the Honourable the Finance Member if he would refer to his own Budget. Last year certain proposals were put forward. In fact, certain additional taxes were put. What has been the result? The result is, Sir, that the actual income has very considerably fallen short of the amount that was expected to be raised. That is but natural. In the same manner if we accept the proposals that have been laid before us, I feel sure that the proposals for additional taxation would not

bring to us the extra money but much less than the amount of money that we expect under these proposals. Therefore, Sir, I suggest that to help the Government we are quite prepared to keep the price of the post-card at six pies, but there is no reason why the minimum postage should not be reduced from one anna to nine pies, provided it should carry half a tola and not more.

If this argument finds favour with Honourable Members I will at once explain what would be the expected amount of loss. The figures that I have gathered during the course of the debate in the other House show that the Department expects to get an excess revenue of Rs. 70 lakhs on post-cards and Rs. 90 lakhs on letters. It is calculated that 80 per cent. of the letters sent are below half a tola. That being so, the proportionate amount represented by three pies, by which amount I propose to reduce the minimum postage stamp, would be something like Rs. 35 or 36 lakhs. Now, the question is, whether this proposal is one which should find favour with Honourable Members. I submit, Sir, that the budget proposals that we have sanctioned hit the poor very hard indeed, as was pointed out by an Honourable Member during the course of the debate this morning. There is already much discontent in the land. I do not want to take much advantage of that factor, but it is undeniable that there is discontent in the land. Now you want to raise the duty on an article that is used by the man in the street, and he really will not be able to give a warm welcome to a proposal of this character. Therefore, I say that looking to the merits of the case on the one hand, looking to the somewhat objectionable manner in which it was confidently stated last year that revenue would increase under this head, which expectations have not been realised, and looking to the amount of discontent to which this additional taxation is sure to give rise,—I submit that the best course would be to keep the minimum price of the postage stamp at nine pies. That, of course, does not touch those letters which weigh more than half a tola, and so far as the revenue from that source is concerned, that will not be affected. As regards the second part of my amendment, I have made it clear as to what would be the postage payable on a weight exceeding half a tola. With that end in view I have put forward the second amendment, namely, that if the weight exceeds half a tola, then that should be chargeable with a postage of one anna, and I have inserted a few amending words in the Schedule. For these reasons, I think it is very necessary that this Council should be pleased to take the matter into consideration and reduce the price of the minimum postage stamp from one anna to nine pies.

The HONOURABLE MR. C. BOROOAH: Do I understand, Sir, that the Honourable Member has stated that if this amendment is carried into effect the loss in the postal revenues will be 25 lakhs. (*A voice:* '36 lakhs').

The HONOURABLE THE PRESIDENT: Amendment moved:—

'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'Letters' add—

'5. For a weight not exceeding half a tola in an embossed envelope. . . . . Three quarters of an anna.

'6. Under the heading 'Letters' between the words 'For a weight' and 'not exceeding' insert 'exceeding half a tola but.'

The HONOURABLE MR. B. N. SARMA: The Government appreciates fully the desire of many Honourable Members to keep within very low limits the duty on postage, so that it may not work as a hardship upon the people and the Government also are equally desirous of not unduly raising the duty if it were possible to do so in the interests of the Department in general and of public finance in particular. I shall not deal with the question of general finance now, but I would confine myself, in the first place, to the proposal in so far as it would affect the Post Office administration itself. The Honourable Member seems to consider that there is a desire on the part of the Government to depart from the wise policy of not looking to the postal administration as a source of revenue, and that under a sore temptation they are devising proposals during this year which would give them an additional revenue in relief of the general deficit with which they are faced.

(At this stage the Honourable the President vacated the Chair and it was occupied by the Honourable Sir Zulfiqar Ali Khan.)

We shall omit for a moment from our consideration the Telegraph Department, and let us see as to whether this criticism is partinent and correct in so far as the Postal Department is concerned. The Honourable Member has already stated that the Government expects a deficit of 90 lakhs during the coming year both in respect of the Postal and Telegraph Departments, combined together and taken as a whole. Now it is difficult to allocate profit and loss on each of these Departments during the coming year; it is only a guess; but I may inform the House that, judging from the figures for the actuals which are available we find that in 1920-21 we made a profit of 81 lakhs on Telegraphs, and there is no reason as to why we should not make at least that amount during the coming year. Now, if our total loss

on the two Departments together is to be 90 lakhs, it follows that we estimate the loss on Posts alone to be about 171 lakhs, so that if this additional revenue of 160 lakhs is to be given to us, it is just possible that we shall be *still* running the Post Office at a loss of about 11 lakhs; which, perhaps, we will be able to recoup from the telegraph revenue: so that the net total may possibly be beneficial to the State as a whole, but there is no warrant whatsoever for the statement that we are utilising the Post Office as an instrument for making revenue for the relief of the general exchequer. Well, so much for the first point. Now the question is as to whether, in the interests of the Department itself, it is desirable that we should run the administration at a loss, or whether we should try to make both ends meet and, if possible, gain a little, so that there may be money for the very many improvements which have to be effected if we are to carry relief to the doors of the poor. Much has been said both here and elsewhere, and rightly too, that we should attempt to benefit the poor as far as we can and assist them by the establishment of postal communications, and, if possible, telegraph communications, in the vicinity of many more towns and villages in order that they may derive benefit, not merely in the speedier carriage of the mails, but also by the establishment of banking facilities, money order facilities, and so on. Now I put it to the House as to whether, if a Department be run at a loss, it would be possible for the Member in charge of that Department to induce the rest of the Government of India to embark on a policy of expenditure which may be absolutely necessary for the purpose of bringing relief to the poor man's door. Ordinarily, unless a Department is worked at some profit, human nature being what it is, that Department would not be treated favourably and I therefore ask the House to treat this Department generously, so that it may discharge its functions efficiently and satisfactorily.

Now there is another point. There seems to be a misconception that the carriage of these mails is a source of profit. If we analyse the figures—at this late hour I do not propose to do it—Honourable Members will find that the Post Office is making a profit on Money Orders, on Savings Banks and other services, the whole of which is now going towards meeting the cost of carriage of post-cards and letters. Therefore, treating this branch separately, it is a distinct loss, and we shall be perfectly justified in asking the general public to make the carriage of mails, if not a profitable transaction, at least a commercially possible transaction. We incurred last year an additional expenditure of, approximately, 130 lakhs of rupees in revising the scales of pay of the subordinate establishments of the Post Office. It is a progressive scale of pay we have instituted and for some time to come we must look forward to additional expenditure on this account alone. If you ask us to be content with very low rates of postage the net result will be, not only difficulty in carrying on the administration successfully and efficiently even as far as it now goes, but a denial of opportunity for affording any additional facilities by the establishment of new post offices which are so necessary. We have received applications from various Provincial Governments asking for the establishment of new post offices in various parts. Now it has been made clear in the other House, that under the old scale of establishment charges, for a new post office to be started a yield of revenue monthly of about Rs. 20 was required. With the present cost of establishment you cannot start a post office unless you can be assured of Rs. 40. Unless, therefore, you double your income there is no possibility of starting a new post office. And it must be remembered that there is a great need for additional post offices; we have far too few at present for the needs of the population, considering the large number of villages, etc., which are without postal facilities in the country. I would request the House to bear this aspect of the question in mind and not to be governed merely by the consideration that we should not raise the postal rate. I shall not deal further with this Departmental aspect of the question. The Telegraph Department cannot always be looked to as a source of revenue in order to recoup losses in the Post Office. Honourable Members will realise that we would like, if possible, to reduce the telegraph rates. But we have to make improvements, construct new buildings, etc. There are several applications for telegraph offices. Consequently, the little profit which we may make must be utilised, if possible, for the benefit of the Telegraph Department. And if these two Departments are run together at a profit, I am sure that Honourable Members will not grudge that profit, because every pie of it can be usefully spent by the Department in introducing various improvements. So much for the Departmental point of view.

Then, Sir, is this a year in which we can afford to cut down our revenue by 36 lakhs of rupees? Much has been said already on this subject, and I do not like to weary the House with a repetition of the arguments. But I would like to say that it would be dangerous, indeed, to attempt any further curtailment of the sources of revenue, especially when the Government has so readily, though with great reluctance, accepted the wishes of both Houses

and has met them as far as they possibly can. From the administrative point of view we shall be very gravely inconvenienced. Last year Honourable Members reduced the proposed rate of postage to 9 pies in some cases which has resulted in a loss in the budgeted figure. A suggestion has also been made for the introduction of an embossed envelope. But it will take us some months to introduce it, possibly six months. The process of manufacture will be costly, and it will always be administratively inconvenient to weigh letters to see that they are not over weight . . . .

The HONOURABLE SAIYID RAZA ALI: My idea was that the people who really need embossed envelopes should be in a position to use them, and that it should not be open to commercial firms to send their letters with a half-anna stamp.

The HONOURABLE MR. B. N. SARMA: Experience has shown that the commercial public would—and there is no way of preventing them—try to utilise this cheap postage as far as they can by using thin paper and other expedients and saving money; and secondly, the Honourable Member's object cannot be given effect to in practice without giving equal benefit to all the members of the public, whose interests he might not have in mind just at the present moment. I therefore suggest that the House should not accept this amendment on the grounds I have put forward.

The HONOURABLE MR. E. M. COOK: Sir, I move that the Question be now put.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, coming from a village, I can assure you that we have got many difficulties in connection with the Post office. When the post office is not in the village people get the letters sometimes a week or 10 days after the letter has come to the post office, and it is for this reason that I think that some tax should be levied, as the Honourable Member in charge has explained, so that these villages may get their post in time. There are men who write letters as a luxury and invite their friends to do the same. There are others who know how to read and write and simply do nothing else except to write long letters for nothing. That is the reason why last year I objected to the reduction of the postal rates and said that Government should levy more tax so as to make both ends of the department meet. Then, the only others who write letters are commercial people and there is no harm if they spend money, because they get the benefit out of the letters. So, I very strongly support the Honourable Member that the same rate should remain as in the Bill.

The HONOURABLE MIAN SIR MUHAMMAD SHAFI: Sir, I beg to move that the Question be now put.

The HONOURABLE SAIYID RAZA ALI: The first amendment will come first. If it is negatived then the second automatically falls.

The HONOURABLE SIR ZULFIQAR ALI KHAN:—

The question is:

**'That the following amendment be made.'**

**'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'letters' add——**

**5. 'For a weight not exceeding half a tola in an embossed envelope . . . . . Three quarters of an anna.**

**6. 'Under the heading 'Letters' between the words 'for a weight' and 'not exceeding' insert 'exceeding half a tola but'.'**

The amendment was rejected.

The HONOURABLE SAIYID RAZA ALI: I want a division, Sir.

(At this stage the Honourable Sir Zulfiqar Ali Khan vacated the Chair and the Honourable the President resumed his seat).

The HONOURABLE THE PRESIDENT: Did the Honourable Member ask for a division?

The HONOURABLE SAIYID RAZA ALI: Yes.

The HONOURABLE THE PRESIDENT: The House will divide by show of hands.

(Three Honourable Members were in favour of the amendment and the rest against it).

The amendment was therefore rejected.

The HONOURABLE THE PRESIDENT: Does that refer to both the amendments?

The HONOURABLE SAIYID RAZA ALI: Yes.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I hope Honourable Members will find something for consideration in my proposal, which I am

going to make. The proposal* is that instead of having a single post-card of half an anna, there may be a letter post-card of half an anna. There will be no reduction in postage. The fact is that the Postal Department is running at a loss and the Finance Member is justified in increasing the postage. To raise the single post-card from ¼ to ½ anna will no doubt cause the poor people to suffer, but as the question has been discussed in the Assembly I have no hope of getting back the single post-card. Instead, therefore, of having a single post-card of half anna, it might be desirable to have a letter post-card of half anna, as we have in England. The advantage will be that those who might want to write something confidential or private will not have to use the one anna envelope but could use the letter post-card, gumming it and using it as an envelope. At present there will be no alternative than to use the half anna post-card or one anna envelope. Business-men also shall feel it very much, but if this proposal is adopted, they will either use half-anna letter post-card or one anna envelope. It may be said from the Government side that the cost of making this letter paper will be much, and the revenue in view will be reduced. I submit that there may be extra charge for making the letter paper, but it will be very useful to people. If the cost is much, it can be met by reducing the size of the post-card by one-quarter, or reducing the thickness of the post-card paper. If the Postal Department will try, they can do it. I will have no objection if they keep the post-card for half anna and introduce this letter postcard for ¾ anna.

Looking to the convenience of business-men and others, I think if this amendment is carried, it will be much more acceptable to the people because they will either use the letter post-card as an envelope, or use one anna envelope as they like.

The HONOURABLE MR. E. M. COOK: I oppose this amendment for three reasons. In the first place we cannot possibly afford to lose any money. Secondly, I feel that this 'letter post-card' which I presume is the same thing as a letter card, will lend itself to very serious abuses. Thirdly, my Honourable friend's amendment, as drafted, would have the effect of abolishing post-cards altogether, and I am not in favour of that.

The HONOURABLE THE PRESIDENT: The question is:

**'That in the first Schedule under section 4, page 15, in place of 'post-cards, single, ½ anna, reply 1 anna' the following should be substituted, 'letter post-cards ½ anna'.'**

The amendment was rejected.

The HONOURABLE THE PRESIDENT: The question is:

**'That the Schedule contained in the Second Schedule under consideration stand part of the Bill.'**

The motion was adopted.

SCHEDULE II was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

**'That Clause 5 stand part of the Bill.'**

The motion was adopted.

Clause 5 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

**'That Clause 6 stand part of the Bill.'**

The motion was adopted.

Clause 6 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

**'That Clause 7 stand part of the Bill.'**

The motion was adopted.

Clause 7 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

**'That Clause 8 stand part of the Bill.'**

The motion was adopted.

Clause 8 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

**'That sub-clause (3) to Clause 1 stand part of the Bill.'**

The motion was adopted.

Clause 1 was added to the Bill.

---

* That in the first Schedule under section 4, page 15, in place of 'post-cards, single, ½ anna, reply 1 anna' the following should be substituted: 'letter post-cards ½ anna.'

The HONOURABLE THE PRESIDENT: I forgot to put Schedule III to the House. The question is:

**'That Schedule III stand part of the Bill.'**

The motion was adopted.

**SCHEDULE III was added to the Bill.**

The HONOURABLE THE PRESIDENT: The question is:

**'That the Preamble stand part of the Bill.'**

The motion was adopted.

The Preamble was added to the Bill.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move that the Bill, as passed by the Legislative Assembly, be passed.

The HONOURABLE MR. V. G. KALE: Sir, when the Budget came up for discussion before this House, I felt it my duty to characterise it as dismal and most uninspiring. I am indeed pleased to find that certain important changes have been introduced into the Budget since then and much of the proposed taxation has been cut down. I have, however, no grounds for making any important change in the view to which I gave expression at the time. The expenditure still stands on a very high level and the burden of taxation is also very great. All the same, I have no hesitation in giving expression to my sense of appreciation of the great trouble and care which the Honourable the Finance Member, his co-adjutors and assistants have taken in framing their Budget and piloting it through the two Houses in the face of strong opposition and strong criticisms. In spite of the fact that I feel that the financial position is unsatisfactory, I cannot but pay my tribute of appreciation to the Finance Department for the great services that they have rendered in enabling the two Houses to carry their taxation measures through. The Finance Department in India, as in England, is expected always to exercise a rigid control over the spending departments. The Finance Member is always regarded as the watch dog of Government, keeping his eye upon the different departments which are making demands upon it for expenditure. I am sure the Honourable Sir Malcolm Hailey has done his very best to cut down the expenditure of the various departments, resisting the demands made upon him from various quarters. It is not, however, the Finance Member or the Finance Department that can alone be held responsible for the financial position of a country. It is the policy that is at the back of the national expenditure that is of the greatest importance. It is not to be supposed that the Finance Member can do and undo things as he likes. To a certain extent he has got power, to a certain extent he can exercise control, and a very salutary control it is. We do want in India what is called in England treasury control to be exercised everywhere, but, unless the Government, as a whole, helps the Finance Member in carrying out what he regards as financial reforms, it is not possible for the Finance Department to do anything that the people want it to do. I wish, therefore, that the Government of India will take into their serious consideration the question of adjusting their whole policy to the changed conditions of the country in its financial aspect. Expenditure, as it has been well observed, is only a by-product of the activities of Government, and the activities depend upon Government policy. And we do want a policy of retrenchment and economy, a policy that will lead to the economic development of the country, a policy that will conduce to the creation of a greater amount of wealth in the country, which could be tapped for further development of that economic condition. The laying down of such a policy is absolutely necessary. At the present moment I realise what the Finance Member has said, namely, 'in spite of your desire to cut down expenditure, you cannot do it all at once.' I realise that, but the next best thing that the Government can do is immediately to lay down a policy of reducing expenditure in the course of a few years. That is what is required, and it is some satisfaction that the Government has decided to appoint a Retrenchment Committee. The Retrenchment Committee will have its difficulties, however, and, unless the Committee and the Government co-operate and work harmoniously together, that Committee, however strong, will not be able to do much tangible work. That is the experience of other countries, and the Government of India will have to give all the help in its power to the Retrenchment Committee and to the Members of the two Houses. We are asking for retrenchment and economy. If the Government does this and sets itself sincerely to the task of cutting down expenditure in every possible way and of encouraging the productive capacity and the productive activities of the country, I am quite sure that the financial position next year and in the course of the next few years will be very satisfactory. Let us hope that the very gloomy financial situation, as we see it to-day, will have undergone important alteration in the course of the coming twelve months. There is a deficit which the Government have undoubtedly to face, but if our trade looks up, and the present economic depression passes away to a considerable extent, let us hope that by this time next year we shall have

no fear of a deficit and that our financial position will have been vastly improved.

With these words, I support the motion before the House.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I wish to associate myself with what has fallen from the Honourable Mr. Kale in regard to our acknowledgments of gratitude to the Honourable the Finance Member and his able lieutenants. It is a matter of congratulation that there has been a happy and a harmonious settlement of this unpleasant Bill. Both sides have made concessions; both sides have adopted the policy of give and take. In the course of the Budget discussion we had very severely to criticise the policy of Government. We had severely to criticise certain measures, but we had the satisfaction to find that the Government has very readily and cheerfully respected popular opinion; that the Government have made on the whole concessions which will be appreciated and I trust now that as the last word has been said on this Bill that it will receive the assent of the Governor General. Sir, we hope that when we meet again here next year it will be under very happy and different circumstances. We hope the financial position by that time will have considerably improved, and that we shall have an opportunity of congratulating the Honourable the Finance Member then on retrenchment and stringent economy effected in the expenidture of the Government of India. We also trust he will have some of the good luck of his predecessors and that next year will bring to the revenues of the Government of India windfalls and fresh accretions and income and that this is the last time that we shall hear of a deficit budget.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, I endorse every word of what the two previous speakers have said in praise of the Finance Member and the Finance Department. But there is one thing, Sir. Some of us to-day have felt how it was that it happened that all proposals, good, bad or indifferent that were brought forward in this House were thrown out. All that we ask in this House is that if we are nonentities, either end us or mend us.

The HONOURABLE SIR EDGAR HOLBERTON: Speaking more or less seriously on behalf of myself and some other Members, I do want to say a word in addition to what has been said by Sir Umar Hayat Khan. I do not desire to protest—I do not know how to put it—but I think it would be better in future years if we were not told that our amendments would be turned down because things had been passed in the other House. I shall ask, Sir, that in future our amendments might possibly be turned down not quite on those lines.

The HONOURABLE SAIYID RAZA ALI: With reference, Sir, to the remarks that have just fallen from the previous speakers, I think it is my duty to make one or two observations. I must congratulate this House on the very good sense that it has displayed in the discussion of the Finance Bill. The controversy into which this matter can be dragged, if we act incautiously, can assume serious proportions. I do not think we are justified in making a grievance of it that we are not in a position to cut down the Bill to the extent of one half or very considerably modify, alter or add to it. The position is very clear. In fact, the grievance of my Honourable friends, the previous speakers, ought to be against their own colleagues in this Council who did not give a willing ear to the proposals that they put forward. I do not think they are justified in complaining of the other House. We must admit that the other House is the popular House and naturally, if I may be excused for saying so, its voice carries greater weight with the country. All the same, that does not mean that our voice does not carry weight; but at the same time it is our duty, if I may be excused for mentioning on oft quoted word, elder statesmen—it is our duty as elder statesmen to show that calmness and that dignity which, if this House is to be the senior House, it must show in the course of all discussions and not be jealous of the other Chamber. I will be extremely sorry if that sense of jealousy develops, and I am sure, if it does it will lead to very serious consequences.

The HONOURABLE SIR MALCOLM HAILEY: Every one knows the proverb regarding the manner in which certain unwise persons step in where angels fear to tread; and if I step in now, it may only be because I am an unwise person; but in truth my real reason is that the ground which has just been developed is of a somewhat delicate nature. I should be very sorry indeed if a charge could with justice be brought against any of us on our side that we have demanded that all amendments must be 'turned down' because the matter had been decided in the other Assembly. I cannot trace the exact authorship of the words which were given to us just now as a quotation; but I am quite sure that there is not one of us here on our side who, if we had by any inadvertence in the course of the debate used such expressions, would not regret them, and desire to withdraw them. (Hear, hear). The attitude that I and some of my friends have taken to-day, on certain questions is simply this, that we desired to give way to the strong

opinion expressed elsewhere which we understood was generally representative of the opinion here and in the country. We desired to put no pressure on the House to accept our own views. We showed ourselves, I hope, fully willing to discuss the matter in all its aspects, and we simply declared from the first what our own position would be. The matter had been discussed very widely here during the course of the general discussion; it had been discussed throughout the country and the press, and lately debated in another Chamber. We felt it necessary for our part to give way, not entirely out of good-will, but largely because we could not help ourselves (Hear, hear and applause), and yielded to a general weight of opinion which we felt too strong for us. (Hear, hear and applause.)

I desire to thank my Honourable friends here who have spoken so generously of my department in regard to the manner in which it has presented the Budget and enabled the Legislature to deal with it. My department has no easy task in times like the present, when the course of world affairs seems so much against us, when so many of our anticipations are falsified by circumstances, when so many of our fondest hopes are continually frustracted. The country owes a debt of gratitude to many branches of the Finance Department. Even if we have not always, as some of our critics claim, been strong enough to restrict the growth of expenditure, even if our control over the Government of India has not been sufficiently pronounced (and I again quote our critics here) to effect all the economy that is desired, nevertheless, there are other branches the value of whose working financiers, bankers and commercial men know well. In abnormal times like the present when we have to live largely on floating debt, when our treasury bills are an important part in the financial transactions of the country, when the successful conduct of our regular loans is of such vital importance, a false step on our part might be dangerous or might even promote a crisis. I hope the House will agree with me that under the guidance of the men who have directed those branches of our work no such false step has been taken. (Hear, hear.)

As to our exercising true treasury control as the Honourable Mr. Kale expressed it, I can say with confidence one thing. We have honestly endeavoured for the last two years to keep down fresh expenditure. There are, I think, sitting here on the Benches beside me many witnesses, not I believe what are called in the courts willing witnesses, perhaps even what are called hostile witnesses, of the persistence with which we have sought for economy. That we have not been able to readjust the general standards of expenditure to the changing conditions of the country's finances is perhaps true. That as a consequence not entirely of our inability to exercise control, but of altering circumstances our expenditure is now at a scale which it is difficult to justify in view of the financial condition of the country, may perhaps also be said not without truth. We are seeking the assistance of an expert and authoritative committee which we hope will partly enable us to readjust matters in that direction. But the process cannot be an immediate one; it must be discriminating and gradual. How far it can extend it is impossible for us to decide or determine to-day. But that an effort will be made, I say in all sincerity (Hear, hear), and that Government will be behind that effort, I also say in all earnestness (Hear, hear).

Well, Sir, here our Budget stands with a deficit of Rs. 916 lakhs. I and my friends here to-day have already said sufficient, I think, of the apprehensions with which we regard the operations of the coming year. The Honourable Sir Maneckji Dadabhoy complimented us on the cheerfulness with which we have met that situation. Sir, if there was cheerfulness, it was with my Honourable friend; it is not with us and it cannot be with us. I cannot disguise from the House that although we may do our best to meet the complicated situation which has now presented itself, although we shall do our best to meet the many difficulties that will occur in financing this deficit during the coming year, and although we shall do our best to effect such further economies as may b epossible in order to ease our burden in meeting these difficulties, yet the situation remains one which justifies grave apprehension. With that, Sir, I may be allowed to conclude—not a happy note, I fear. If there is any addition that I can make, it is only this, that I hope that the House, whether it may agree with the steps that we have to take in what we consider to be in the best interests of India's finances or not, whether it views the questions which arise from day to day from the same angle of vision as we do or not, nevertheless will always show itself as broadminded in its criticisms as it has been to-day.

The HONOURABLE THE PRESIDENT: The question is that:

'The Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, as passed by the Legislative Assembly, be passed.

The motion was adopted.

[AS PASSED BY THE INDIAN LEGISLATURE.]

*A Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.*

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax; It is hereby enacted as follows:—

Short title, extent and duration.

**1.** (*1*) This Act may be called the Indian Finance Act, 1922.

(*2*) It extends to the whole of British India, including the Sonthal Parganas and, except as regards section 5, British Baluchistan.

(*3*) Sections 2, 4 and 7 shall remain in force only up to the 31st day of March, 1923.

Fination of salt duty.

**2.** With effect from the first day of March, 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section. XII of 1882.

Amendment of Act VIII of 1894.

**3.** (*1*) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained in the First Schedule to this Act shall be substituted. VIII of 1894.

(*2*) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the First Schedule to that Act shall be repealed. VI of 1921.

Amendment of Act VI of 1898.

**4.** With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act. VI of 1898.

Imposition of excise duty on kerosene.

**5.** With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and collection of an excise duty on motor spirit, that is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were references to kerosene: II of 1917.

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

*Explanation.*—For the purposes of this section, "kerosene" means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro carbons but excluding motor spirit) which—

(*a*) is made from petroleum as defined in section 2 of the Indian Petroleum Act, 1899, and VIII of 1899.

(*b*) is intended to be, or is ordinarily, used in liquid form for purposes of illumination.

Amendment of Act XLV of 1920.

**6.** In sub-section (*3*) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure "1921" the figure "1923" shall be substituted and shall be deemed to have been substituted with effect from the first day of April, 1921. XLV of 1920.

Income-tax and super-tax.

**7.** (*1*) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of the Third Schedule.

(*2*) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule. XI of 1922.

(*3*) For the purposes of the Third Schedule "total income" means total income as defined in clause (*l*) of section 2 of the Indian Income tax Act, 1922. XI of 1922.

Repeal of Act XIII of 1917.

**8.** With effect from the first day of April, 1922, the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, shall be repealed. XIII of 1917.

It is hereby declared that it is expedient in the public interest that this Bill should have temporary effect under the provisions of the Provisional Collection of Taxes Act, 1918. XVI of 1918.

## SCHEDULE I.

Schedule to be substituted in the Indian Tariff Act, 1894.

[*See section 3 (1).*]

"SCHEDULE II—IMPORT TARIFF.

### PART I.

Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 1 | HOPS. |
| 2 | SALT imported into British India and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in any process of manufacture; also salt imported into the port of Calcutta and issued with the sanction of the Government of Bengal to manufacturers of glazed stone-ware; also salt imported into any port in the provinces of Bengal and Bihar and Orissa and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in curing fish in those provinces.<br>(For the general duty on salt, *see* No. 35.) |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | HIDES AND SKINS, RAW. |
| 3 | HIDES AND SKINS, raw or salted. |
| | METALLIC ORES |
| 4 | METALLIC ORES, all sorts. |
| | PRECIOUS STONES AND PEARLS. |
| 5 | PRECIOUS STONES, unset and imported uncut, and PEARLS, unset. |
| | SEEDS. |
| 6 | OIL-SEEDS imported into British India by sea from the territories of any Prince or Chief in India. |
| | TEXTILE MATERIALS. |
| 7 | COTTON, raw. |
| 8 | WOOL, raw, and WOOL-TOPS. |
| | MISCELLANEOUS. |
| 9 | MANURES, all sorts, including animal bones and the following chemical manures:—Basic slag, nitrate of ammonia, nitrate of soda, muriate of potash, sulphate of ammonia, sulphate of potash, kainit salts, nitrate of lime, calcium cyanamide, mineral phosphates and mineral superphosphates. |
| 10 | PULP OF WOOD, RAGS and other paper-making materials. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 11 | UNIFORMS AND ACCOUTREMENTS appertaining thereto, imported by a public servant for his personal use. |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 12 | The following ARMS, AMMUNITION AND MILITARY STORES:—<br>(*a*) Articles falling under the 5th, 6th, 8th, 9th or 10th item of No. 42, when they appertain to a firearm falling under the 1st or 3rd item and are fitted into the same case with such firearm.<br>(*b*) Arms forming part of the regular equipment of a commissioned or gazetted officer in His Majesty's Service entitled to wear diplomatic, military, naval, Royal Air Force or police uniform. |

## SCHEDULE II—IMPORT TARIFF.

### PART I—*contd.*

### Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | (*c*) A revolver and an automatic pistol and ammunition for such revolver and pistol up to a maximum of 100 rounds per revolver or pistol, (*i*) when accompanying a commissioned officer of His Majesty's regular forces, or of the Indian Auxiliary Force or the Indian Territorial Force or a gazetted police officer, or (*ii*) certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, or, in the case of a police officer, by an Inspector General or Commissioner of Police, to be imported by the officer for the purpose of his equipment. |
| | (*d*) Swords for presentation as army or volunteer prizes. |
| | (*e*) Arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a State in India which may be maintained and organized for Imperial Service. |
| | (*f*) Morris tubes and patent ammunition imported by officers commanding British and Indian regiments or volunteer corps for the instruction of their men. |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 13 | ANTI-PLAGUE SERUM. |
| 14 | QUININE and other alkaloids of cinchona. |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 15 | The following AGRICULTURAL IMPLEMENTS, namely, winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed-crushers, chaff-cutters, root-cutters, ensilage-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders, and rakes; also agricultural tractors; also component parts of these implements or tractors, provided that they can be readily fitted into their proper places in the implements or tractors for which they are imported, and that they cannot ordinarily be used for purposes unconnected with agriculture. |
| 16 | The following DAIRY APPLIANCES, namely, cream separators, milk sterilizing or pasteurizing plant, milk aërating and cooling apparatus, churns, butter dryers, and butter workers; also component parts of these appliances, provided that they can be readily fitted into their proper places in the appliances for which they are imported, and that they cannot ordinarily be used for other than dairy purposes. |
| 17 | INSTRUMENTS, APPARATUS and APPLIANCES, imported by a passenger as part of his personal baggage and in actual use by him in the exercise of his profession or calling. |
| 18 | WATER-LIFTS, SUGAR-MILLS, OIL-PRESSES, and parts thereof, when constructed so that they can be worked by manual or animal power. |
| | METALS. |
| 19 | CURRENT NICKEL, BRONZE, AND COPPER COIN of the Government of India. |
| 20 | GOLD AND SILVER BULLION and coin. |
| | PAPER. |
| 21 | TRADE CATALOGUES AND ADVERTISING CIRCULARS imported by packet, book, or parcel post. |
| | YARNS AND TEXTILE FABRICS |
| 22 | SECOND-HAND OR USED GUNNY BAGS made of jute. |
| | MISCELLANEOUS. |
| 23 | ART, the following works of:—(1) statuary and pictures intended to be put up for the public benefit in a public place, and (2) memorials of a public character intended to be put up in a public place, including the materials used, or to be used in their construction, whether worked or not. |
| 24 | BOOKS printed, including covers for printed books, maps, charts, and plans, proofs, music and manuscripts. |
| | **IV.—Miscellaneous and unclassified—** |
| 25 | ANIMALS, living, all sorts. |
| 26 | SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, and medals and antique coins." |

## SCHEDULE II—IMPORT TARIFF.

### PART II.

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | **I.—Food, Drink and Tobacco—** | | R A. |
| | FISH. | | |
| 27 | FISH, SALTED, wet or dry . . . . | Indian maund of 82⅔ lbs. avoirdupois weight. | Such rate or rates of duty not exceeding one rupee as the Governor General in Council may, by notification in the Gazette of India, from time to time, prescribe. |
| | LIQUORS. | | |
| 28 | ALE, Beer, Porter, Cider and other fermented liquors. | Imperial gallon or 6 quart bottles. | Eight annas. |
| 29 | SPIRIT, which has been rendered effectually and permanently unfit for human consumption. | *Ad valorem* . . | 7½ per cent. |
| 30 | PERFUMED SPIRITS . . . . . | Imperial gallon or 6 quart bottles. | 36 0 |
| 31 | LIQUEURS, Cordials, Mixtures and other preparations containing spirit— | | |
| | (*a*) Entered in such a manner as to indicate that the strength is not to be tested. | Ditto. | 30 0 |
| | (*b*) If tested . . . . . | Imperial gallon or 6 quart bottles of the strength of London proof. | 21 14 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof. |
| 32 | All other sorts of SPIRIT . . . . | Ditto. | Ditto. |
| 33 | WINES— | | |
| | Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit. | Imperial gallon or 6 quart bottles. | 9 0 |
| | All other sorts of wines not containing more than 42 per cent. of proof spirit: | Ditto. | 4 8 |
| | Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to 'All other sorts of Spirit.' | | |
| | SUGAR. | | |
| 34 | SUGAR, all sorts including molasses and saccharine produce of all sorts, but excluding confectionery (*see* No. 124). | *Ad valorem* . . | 25 per cent. |
| | OTHER FOOD AND DRINK. | | |
| 35 | SALT, excluding salt exempted under No. 2 . | Indian maund of 82⅔ lbs. avoirdupois weight. | The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place. |
| | TOBACCO. | | |
| 36 | TOBACCO, unmanufactured . . . . | Pound . . . | 1 0 |
| 37 | CIGARS AND CIGARETTES . . . . | *Ad valorem* . . | 75 per cent. |
| 38 | All other sorts of TOBACCO manufactured . | Pound . . . | 2 4 |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*contd.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | | | R a. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** | | |
| | COAL, COKE AND PATENT FUEL. | | |
| 39 | COAL, COKE AND PATENT FUEL . . . | Ton . . | 0 8 |
| | OILS. | | |
| 40 | KEROSENE and MOTOR SPIRIT; also any mineral oil other than kerosene and motor spirit which has its flashing point below one hundred degrees of Fahrenheit's thermometer by Abel's close test. | Imperial gallon . | Two annas and six pies. |
| | NOTE.—Motor spirit is liable to an additional duty of 6 annas per gallon under Act II of 1917, as amended by Act III of 1919. | | |
| 41 | MINERAL OIL which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is such as is not ordinarily used for any other purpose than for the batching of jute or other fibre, or for lubrication, and mineral oil which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose. | *Ad valorem* . . | 7½ per cent. |
| | **III.—Articles wholly or mainly manufactured—** | | |
| | ARMS, AMMUNITION AND MILITARY STORES. | | |
| 42 | Subject to the exemptions specified in No. 12— | | R |
| | (1) Firearms other than pistols, including gas and air-guns and rifles. | Each . . . | 15 |
| | (2) Barrels for the same, whether single or double. | „ . . . | 15 |
| | (3) Pistols, including automatic pistols and revolvers. | „ . . . | 15 |
| | (4) Barrels for the same, whether single or double. | „ . . . | 15 |
| | (5) Main springs and magazine springs for firearms, including gas-guns and rifles. | „ . . . | 5 |
| | (6) Gun stocks and breech blocks . . . | „ . . . | 3 |
| | (7) Revolver-cylinders, for each cartridge they will carry. | „ . . . | 2 |
| | (8) Actions (including skeleton and waster) breech bolts and their heads, cocking pieces, and locks for muzzle loading arms. | „ . . . | 1 |
| | | | or 30 per cent. *ad valorem*, whichever is higher. |
| | (9) Machines for making, loading, or closing cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. |
| | (10) Machines for capping cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*concld.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | CHEMICALS, DRUGS AND MEDICINES. | | R a. |
| 43 | Opium and its alkaloids and their derivatives. | Seer of 80 tolas . | 24 0 |
| | YARNS AND TEXTILE FABRICS. | | |
| 44 | COTTON TWIST AND YARN, and COTTON SEWING OR DARNING THREAD. | *Ad valorem* . . | 5 per cent. |
| 45 | COTTON PIECE-GOODS . . . . . | *Ad valoren* . | 11 per cent. |
| | MISCELLANEOUS. | | |
| 46 | Matches— | | R a. |
| | (1) In boxes containing on the average not more than 100 matches. | Per gross of boxes . | 1 8 |
| | (2) In boxes containing on the average more than 100 matches. | For every 25 matches or fraction thereof in each box, per gross of boxes. | 0 6 |

## SCHEDULE II—IMPORT TARIFF.

### PART III.

Articles which are liable to duty at 2½ per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | GRAIN, PULSE AND FLOUR. |
| 47 | GRAIN AND PULSE, all sorts, including broken grains and pulse, but excluding flour (*see* No. 68). |
| | PROVISIONS AND OILMAN'S STORES. |
| 48 | VINEGAR in casks. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | WOOD AND TIMBER. |
| 49 | FIREWOOD. |
| | **III.—Articles wholly or mainly manufactured—** |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 50 | COPPERAS, green. |
| | MACHINERY. |
| 51 | MACHINERY, namely, prime-movers and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire engines, motor tractors designed for purposes other than agriculture, and other machines in which the prime-mover is not separable from the operative parts.<br><br>MACHINERY (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which, before being brought into use, require to be fixed with reference to other moving parts; and including belting of all materials for driving machinery:<br><br>Provided that the term does not include tools and implements to be worked by manual or animal labour and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose.<br><br>*Note.*—This entry includes machinery and component parts thereof made of substances other than metal. |
| | METALS OTHER THAN IRON AND STEEL. |
| 52 | LEAD sheets, for tea-chests. |
| | MISCELLANEOUS. |
| 53 | AEROPLANES, aeroplane parts, aeroplane engines and aeroplane engine parts. |
| 54 | PRINTING AND LITHOGRAPHING MATERIAL, namely, presses, type, ink, aluminium lithographic plates, brass rules, composing sticks, chases, imposing tables, and lithographic stones, stereo-blocks, wood blocks, half tone blocks, electrotype blocks, roller moulds, roller frames and stocks, roller composition, standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead and rule cutters, type casting machines, type setting and casting machines, rule bending machines, rule mitreing machines, bronzing machines, leads, wooden and metal quoins, shooting sticks and galleys, stereotyping apparatus, metal furniture, paper folding machines, and paging machines, but excluding paper (*see* No. 99). |
| 55 | RACKS for the withering of tea leaf. |
| 56 | TEA-CHESTS of metal or wood, whether imported entire or in sections, provided that the Collector of Customs is satisfied that they are imported for the purpose of the packing of tea for transport in bulk. |
| 57 | FODDER, BRAN AND POLLARDS. |

## SCHEDULE II—IMPORT TARIFF.

### PART IV.

### Articles which are liable to duty at 10 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | METALLIC ORES AND SCRAP IRON OR STEEL FOR RE-MANUFACTURE. |
| 58 | IRON OR STEEL, old. |
| | **III.—Articles wholly or mainly manufactured—** |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 59 | TELEGRAPHIC INSTRUMENTS AND APPARATUS, and parts thereof imported by, or under the orders of a railway company. |
| | METALS—IRON AND STEEL. |
| 60 | IRON, angle. |
| | „ bar, rod and channel, including channel for carriages. |
| | „ pig. |
| | „ rice bowls. |
| 61 | IRON OR STEEL, anchors and cables. |
| | „ „ beams, joists, pillars, girders, screw piles, bridge work and other descriptions of iron or steel, imported exclusively for building purposes; including also ridging, guttering and continuous roofing. |
| | „ „ bolts and nuts, including hook-bolts and nuts for roofing. |
| | „ „ hoops and strips. |
| | „ „ nails, rivets and washers, all sorts. |
| | „ „ pipes and tubes and fittings therefor, such as bends, boots, elbows, tees, sockets, flanges and the like. |
| | „ „ rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes) switches and crossings, other than those described in No. 63, also lever-boxes, clip and tie-bars. |
| | „ „ sheets and plates, all sorts excluding discs and circles which are dutiable under No. 97. |
| | „ „ wire, including fencing wire, piano-wire and wire-rope, but excluding wire-netting which is dutiable under No. 97. |
| 62 | STEEL, angle. |
| | „ bar, rod, and channel, including channel for carriages. |
| | „ cast, including spring blistered and tub steel. |
| | „ ingots, blooms, billets and slabs. |
| | RAILWAY PLANT AND ROLLING-STOCK. |
| 63 | RAILWAY MATERIALS for permanent-way and rolling-stock, namely, cylinders, girders, and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, wagons, traversers, trollies, trucks, and component parts thereof; also the following articles when imported by, or under the orders of, a railway company, namely, cranes, water cranes, water tanks, and standards, wire and other materials for fencing :<br><br>Provided that for the purpose of this entry ' railway ' means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a State in India and also such tramways as the Governor General in Council may, by notification in the Gazette of India, specifically include therein :<br><br>Provided also that only such articles shall be admitted as component parts of railway material as are indispensable for the working of railways, and are, owing to their shape or to other special quality, not adapted for any other purpose. |
| 64 | SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, launches, boats and barges imported entire or in sections. |

## SCHEDULE II—IMPORT TARIFF.

### PART V.

### Articles which are liable to duty at 15 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | FISH. |
| 65 | FISH, excluding salted fish (*see* No. 27). |
| 66 | FISHMAWS, including singally and sozille, and sharkfins. |
| | FRUITS AND VEGETABLES. |
| 67 | FRUITS AND VEGETABLES, all sorts, fresh, dried, salted or preserved. |
| | GRAIN, PULSE AND FLOUR. |
| 68 | FLOUR. |
| | PROVISIONS AND OILMAN'S STORES. |
| 69 | PROVISIONS AND OILMAN'S STORES AND GROCERIES, all sorts, excluding vinegar in casks (*see* No. 48 . |
| | SPICES. |
| 70 | SPICES, all sorts. |
| | TEA. |
| 71 | TEA. |
| | OTHER FOOD AND DRINK. |
| 72 | COFFEE. |
| 73 | All other sorts of Food and Drink not otherwise specified. |
| | **II.—Raw materials and produce and articles mainly unmanufactured** - |
| | GUMS, RESINS AND LAC. |
| 74 | GUMS, RESINS AND LAC, all sorts. |
| | OILS. |
| 75 | All sorts of animal, essential, mineral, and vegetable non-essential oils not otherwise specified. (*see* Nos. 40 and 41). |
| | SEEDS. |
| 76 | SEEDS, all sorts, excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (*see* No. 6). |
| | TALLOW, STEARINE AND WAX. |
| 77 | TALLOW AND STEARINE, including grease and animal fat and wax of all sorts not otherwise specified. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | TEXTILE MATERIALS. |
| 78 | TEXTILE MATERIALS, the following :— |
| | Silk waste, and raw silk including cocoons, raw flax, hemp, jute and all other unmanufactured textile materials not otherwise specified. |
| | WOOD AND TIMBER. |
| 79 | WOOD AND TIMBER, all sorts, not otherwise specified, including all sorts of ornamental wood. |
| | MISCELLANEOUS. |
| 80 | CANES AND RATTANS. |
| 81 | COWRIES and SHELLS. |
| 82 | IVORY, unmanufactured. |
| 83 | PRECIOUS STONES, unset and imported cut (*see* No. 5). |
| 84 | All other raw materials and produce and articles mainly unmanufactured, not otherwise specified. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 85 | APPAREL, including drapery, boots and shoes, and military and other uniforms and accoutrements, but excluding uniforms and accoutrements exempted from duty under No. 11 and gold and silver thread (*see* Nos. 132 and 133), and articles made of silk (*see* No. 134). |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 86 | EXPLOSIVES, namely, blasting gunpowder, blasting gelatine, blasting dynamite, blasting roburite, blasting tonite, and all other sorts, including detonators and blasting fuze. |
| | CARRIAGES AND CARTS. |
| 87 | CARRIAGES AND CARTS, including tram cars, motor-omnibuses, motor-lorries, motor-vans, jinrikshas, bath-chairs, perambulators, trucks, wheel-barrows, and all other sorts of conveyances not otherwise specified, and such component parts and accessories thereof, as are not also adapted for use as parts or accessories of motor-cars, motor-cycles, motor-scooters, bicycles or tricycles (*see* No. 127).† |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 88 | CHEMICALS, DRUGS AND MEDICINES, all sorts, not otherwise specified. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 89 | CUTLERY, excluding plated cutlery (*see* No. 129). |
| 90 | HARDWARE, IRONMONGERY AND TOOLS, all sorts, not otherwise specified. |
| 91 | All other sorts of IMPLEMENTS, INSTRUMENTS, APPARATUS AND APPLIANCES and parts thereof, not otherwise specified. |
| | DYES AND COLOURS. |
| 92 | DYEING AND TANNING SUBSTANCES, all sorts, and paints and colours and painters' materials, all sorts. |
| | FURNITURE, CABINETWARE AND MANUFACTURES OF WOOD. |
| 93 | FURNITURE, CABINETWARE and all other manufactures of wood not otherwise specified. |
| | GLASSWARE AND EARTHENWARE. |
| 94 | GLASS AND GLASSWARE, lacquered ware, earthenware, china and porcelain; all sorts, except glass bangles and beads and false pearls (*see* No. 131). |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | HIDES AND SKINS AND LEATHER. |
| 95 | HIDES AND SKINS not otherwise specified, LEATHER AND LEATHER MANUFACTURES, all sorts, not otherwise specified. |
| | MACHINERY. |
| 96 | MACHINERY AND COMPONENT PARTS thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified (*see* Nos. 15, 16 and 18). |
| | METALS—IRON AND STEEL. |
| 97 | All sorts of IRON AND STEEL and manufactures thereof, not otherwise specified. |
| | METALS OTHER THAN IRON AND STEEL. |
| 98 | All sorts of METALS OTHER THAN IRON AND STEEL, and manufactures thereof, not otherwise specified. |
| | PAPER, PASTEBOARD AND STATIONERY. |
| 99 | PAPER AND ARTICLES MADE OF PAPER AND PAPIER MACHÉ, PASTEBOARD, MILLBOARD, AND CARDBOARD, all sorts, and STATIONERY, including ruled or printed forms and account and manuscript books, drawing and copy books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also wastepaper and old newspapers for packing, but excluding trade catalogues and advertising circulars imported by packet, book, or parcel post (*see* No. 21). |
| | YARNS AND TEXTILE FABRICS. |
| 100 | YARNS AND TEXTILE FABRICS, that is to say:— |
| | Cotton thread other than sewing or darning thread, and all other manufactured cotton goods not otherwise specified. |
| | Flax, twist and yarn, and manufactures of flax. |
| | Haberdashery and millinery, excluding articles made of silk (*see* No. 134). |
| | Hemp manufactures. |
| | Hosiery, excluding articles made of silk (*see* No. 134). |
| | Jute, twist and yarn, and jute manufactures, excluding secondhand or used gunny bags (*see* No. 22). |
| | Silk yarn, noils and warps and silk thread. |
| | Woollen yarn, knitting wool, and other manufactures of wool, including felt. |
| | All other sorts of yarns and textile fabrics, not otherwise specified. |
| | MISCELLANEOUS. |
| 101 | ART, works of, excluding those specified in No. 23. |
| 102 | BRUSHES AND BROOMS. |
| 103 | BUILDING AND ENGINEERING MATERIALS, including asphalt, bricks, cement, chalk and lime, clay, pipes of earthenware, tiles, and all other sorts of building and engineering materials not otherwise specified. |
| 104 | CANDLES. |
| 105 | CINEMATOGRAPH FILMS. |
| 106 | CORDAGE AND ROPE AND TWINE OF VEGETABLE FIBRE. |
| 107 | FURNITURE, TACKLE AND APPAREL, not otherwise described, for steam, sailing, rowing and other vessels. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*concld.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| 108 | MATS AND MATTING. |
| 109 | OILCAKES. |
| 110 | OILCLOTH AND FLOOR CLOTH. |
| 111 | PACKING—ENGINE AND BOILER—all sorts, excluding packing forming a component part of any article included in Nos. 51 and 63. |
| 112 | PERFUMERY, not otherwise specified. |
| 113 | PITCH, TAR AND DAMMER. |
| 114 | POLISHES AND COMPOSITIONS. |
| 115 | RUBBER tyres and other manufactures of rubber, not otherwise specified (*see* No. 139). |
| 116 | SOAP. |
| 117 | STARCH AND FARINA. |
| 118 | STONE AND MARBLE, and articles made of stone and marble. |
| 119 | TOILET REQUISITES, not otherwise specified. |
| 120 | All other articles wholly or mainly manufactured, not otherwise specified. |
| | **IV.—Miscellaneous and unclassified—** |
| 121 | CORAL. |
| 122 | UMBRELLAS, INCLUDING PARASOLS AND SUNSHADES, AND FITTINGS THEREFOR. |
| 123 | All other articles not otherwise specified, including articles imported by post. |

## SCHEDULE II—IMPORT TARIFF.

### PART VI.

Articles which are liable to duty at 30 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 124 | CONFECTIONERY. |
| | **II.—Articles wholly or mainly manufactured—** |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 125 | GUNPOWDER FOR CANNONS, rifles, guns, pistols and sporting purposes. |
| 126 | Subject to the exemptions specified in No. 12 all articles other than those specified in entry No. 42 which are arms or parts of arms within the meaning of the Indian Arms Act, 1878 (excluding springs used for air-guns which are dutiable as hardware under No. 90), all tools used for cleaning or putting together the same, all machines for making, loading, closing or capping cartridges for arms other than rifled arms and all other sorts of ammunition and military stores, and any articles which the Governor General in Council may, by notification in the Gazette of India, declare to be ammunition or military stores for the purposes of this Act. |
| | CARRIAGES AND CARTS. |
| 127 | MOTOR CARS, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 87 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 128 | CLOCKS AND WATCHES AND PARTS THEREOF. |
| 129 | ARTICLES PLATED WITH GOLD AND SILVER. |
| 130 | MUSICAL INSTRUMENTS. |
| | GLASSWARE AND EARTHENWARE. |
| 131 | GLASS BANGLES and BEADS and false pearls. |
| | METALS. |
| 132 | GOLD PLATE, gold thread and wire, and gold manufactures, all sorts. |
| 133 | SILVER PLATE, silver thread and wire, and silver manufactures, all sorts. |
| | YARNS AND TEXTILE FABRICS. |
| 134 | SILK PIECE-GOODS, and other manufactures of silk. |
| | MISCELLANEOUS. |
| 135 | FIRE-WORKS. |
| 136 | IVORY, manufactured. |
| 137 | JEWELLERY AND JEWELS. |
| 138 | PRINTS, engravings and pictures, including photographs and picture postcards. |
| 139 | PNEUMATIC RUBBER TYRES AND TUBES for motor cars, motor lorries, motor cycles, motor scooters, bicycles and tricycles. |
| 140 | SMOKERS' REQUISITES, excluding tobacco (Nos. 36 to 38) and matches (No. 46). |
| 141 | TOYS, games, playing cards and requisites for games and sports, including bird-shot. |

## SCHEDULE II.

Schedule to be inserted in the Indian Post Office Act, 1898.

(*See section 4.*)

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(*See section 7.*)

| | |
|---|---|
| *Letters.* | |
| For a weight not exceeding two and a half tolas | One anna. |
| For every two and a half tolas, or fraction thereof, exceeding two and a half tolas | One anna. |
| *Postcards.* | |
| Single | Half an anna. |
| Reply | One anna. |
| *Book, Pattern and Sample Packets.* | |
| For every five tolas or fraction thereof | Half an anna. |
| *Registered Newspapers.* | |
| For a weight not exceeding eight tolas | Quarter of an anna. |
| For a weight exceeding eight tolas and not exceeding twenty tolas | Half an anna. |
| For every twenty tolas, or fraction thereof, exceeding twenty tolas | Half an anna. |
| *Parcels.* | |
| For a weight not exceeding twenty tolas | Two annas. |
| For a weight exceeding twenty tolas and not exceeding forty tolas | Four annas. |
| For every forty tolas, or fraction thereof, exceeding forty tolas | Four annas." |

## SCHEDULE III.

(*See section 7.*)

PART I.

*Rates of Income-tax.*

| | Rate. |
|---|---|
| A. In the case of every individual, every unregistered firm and every undivided Hindu family— | |
| (1) When the total income is less than Rs. 2,000 | *Nil.* |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupee. |
| B. In the case of every company, and every registered firm, whatever its total income | One anna and six pies in the rupee. |

PART II.

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income :—

| | Rate. |
|---|---|
| (1) in the case of every company | One anna in the rupee. |
| (2) (*a*) in the case of every Hindu undivided family— | |
| (*i*) in respect of the first twenty-five thousand rupees of the excess. | *Nil.* |
| (*ii*) for every rupee of the next twenty-five thousand rupees of such excess | One anna in the rupee. |
| (*b*) in the case of every individual and every unregistered firm, for every rupee of the first fifty thousand rupees of such excess. | One anna in the rupee. |
| (*c*) in the case of every individual, every unregistered firm and every Hindu undivided family— | |
| (*i*) for every rupee of the second fifty thousand rupees of such excess | One and a half annas in the rupee. |
| (*ii*) for every rupee of the next fifty thousand rupees of such excess | Two annas in the rupee. |
| (*iii*) for every rupee of the next fifty thousand rupees of such excess | Two and a half annas in the rupee. |
| (*iv*) for every rupee of the next fifty thousand rupees of such excess | Three annas in the rupee. |

| | Rate. |
|---|---|
| (*v*) for every rupee of the next fifty thousand rupees of such excess . . | Three and a half annas in the rupee. |
| (*vi*) for every rupee of the next fifty thousand rupees of such excess . . | Four annas in the rupee. |
| (*vii*) for every rupee of the next fifty thousand rupees of such excess . . . | Four and a half annas in the rupee. |
| (*viii*) for every rupee of the next fifty thousand rupees of such excess . . | Five annas in the rupee. |
| (*ix*) for every rupee of the next fifty thousand rupees of such excess . . . | Five and a half annas in the rupee. |
| (*x*) for every rupee of the remainder of the excess . . . . . | Six annas in the rupee. |

## PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

*Saturday, 25th March, 1922.*

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

### MESSAGE FROM THE COUNCIL OF STATE.

**Mr. President:** A Message has been received from the Secretary to the Council of State.

**Secretary of the Assembly:** Sir, the Message runs as follows:

*'I am directed to inform you that the Council of State at its meeting of the 24th March, 1922, agreed, without amendment, to the Bill to fix the duty on salt manufactured in or imported by land into certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and abolish the freight tax, which was passed by the Legislative Assembly at its meeting of the 22nd March, 1922.'*

## ACT XII OF 1922.

[PASSED BY THE INDIAN LEGISLATURE.]

(Received the assent of the Governor General on the 27th March, 1922.)

*An Act to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.*

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax; It is hereby enacted as follows:—

Short title, extent and duration.

**1.** (*1*) This Act may be called the Indian Finance Act, 1922.

(*2*) It extends to the whole of British India, including the Sonthal Parganas and, except as regards section 5, British Baluchistan.

(*3*) Sections 2, 4 and 7 shall remain in force only up to the 31st day of March, 1923.

Fixation of salt duty.

**2.** With effect from the first day of March, 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section. XII of 1882.

Amendment of Act VIII of 1894.

**3.** (*1*) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained in the First Schedule to this Act shall be substituted. VIII of 1894

(*2*) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the First Schedule to that Act shall be repealed. VI of 1921.

Amendment of Act VI of 1898.

**4.** With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act. VI of 1898.

Imposition of excise duty on kerosene.

**5.** With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and collection of an excise duty on motor spirit, that is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were references to kerosene: II of 1917.

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

*Explanation.*—For the purposes of this section, "kerosene" means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons but excluding motor spirit) which—

(*a*) is made from petroleum as defined in section 2 of the Indian Petroleum Act, 1899, and VIII of 1899.

(*b*) is intended to be, or is ordinarily, used in liquid form for purposes of illumination.

Amendment of Act XLV of 1920.

**6.** In sub-section (*3*) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure "1921" the figure "1923" shall be substituted and shall be deemed to have been substituted with effect from the first day of April, 1921. XLV of 1920.

Income-tax and super-tax.

**7.** (*1*) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of the Third Schedule.

(*2*) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule. XI of 1922.

(*3*) For the purposes of the Third Schedule "total income" means total income as defined in clause (*15*) of section 2 of the Indian Income-tax Act, 1922. XI of 1922.

Repeal of Act XIII of 1917.

**8.** With effect from the first day of April, 1922, the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, shall be repealed.

## SCHEDULE I.

Schedule to be substituted in the Indian Tariff Act, 1894.

[*See section 3 (1).*]

"SCHEDULE II—IMPORT TARIFF.

PART I.

Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 1 | HOPS. |
| 2 | SALT imported into British India and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in any process of manufacture; also salt imported into the port of Calcutta and issued with the sanction of the Government of Bengal to manufacturers of glazed stone-ware; also salt imported into any port in the provinces of Bengal and Bihar and Orissa and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in curing fish in those provinces.<br>(For the general duty on salt, *see* No. 35.) |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | HIDES AND SKINS, RAW. |
| 3 | HIDES AND SKINS, raw or salted. |
| | METALLIC ORES. |
| 4 | METALLIC ORES, all sorts. |
| | PRECIOUS STONES AND PEARLS. |
| 5 | PRECIOUS STONES, unset and imported uncut, and PEARLS, unset. |
| | SEEDS. |
| 6 | OIL-SEEDS imported into British India by sea from the territories of any Prince or Chief in India. |
| | TEXTILE MATERIALS. |
| 7 | COTTON, raw. |
| 8 | WOOL, raw, and WOOL-TOPS. |
| | MISCELLANEOUS. |
| 9 | MANURES, all sorts, including animal bones and the following chemical manures:—Basic slag, nitrate of ammonia, nitrate of soda, muriate of potash, sulphate of ammonia, sulphate of potash, kainit salts, nitrate of lime, calcium cyanamide, mineral phosphates and mineral superphosphates. |
| 10 | PULP OF WOOD, RAGS and other paper-making materials. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 11 | UNIFORMS AND ACCOUTREMENTS appertaining thereto, imported by a public servant for his personal use. |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 12 | The following ARMS, AMMUNITION AND MILITARY STORES:— |
| | (*a*) Articles falling under the 5th, 6th, 8th, 9th or 10th item of No. 42, when they appertain to a firearm falling under the 1st or 3rd item and are fitted into the same case with such firearm. |
| | (*b*) Arms forming part of the regular equipment of a commissioned or gazetted officer in His Majesty's Service entitled to wear diplomatic, military, naval, Royal Air Force or police uniform. |

## SCHEDULE II—IMPORT TARIFF.

### PART I—*contd.*

### Articles which are free of duty.

| No. | Names of Articles. |
|---|---|
| | (*c*) A revolver and an automatic pistol and ammunition for such revolver and pistol up to a maximum of 100 rounds per revolver or pistol, (*i*) when accompanying a commissioned officer of His Majesty's regular forces, or of the Indian Auxiliary Force or the Indian Territorial Force or a gazetted police officer, or (*ii*) certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, or, in the case of a police officer, by an Inspector General or Commissioner of Police, to be imported by the officer for the purpose of his equipment. |
| | (*d*) Swords for presentation as army or volunteer prizes. |
| | (*e*) Arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a State in India which may be maintained and organized for Imperial Service. |
| | (*f*) Morris tubes and patent ammunition imported by officers commanding British and Indian regiments or volunteer corps for the instruction of their men. |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 13 | ANTI-PLAGUE SERUM. |
| 14 | QUININE and other alkaloids of cinchona. |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 15 | The following AGRICULTURAL IMPLEMENTS, namely, winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed-crushers, chaff-cutters, root-cutters, ensilage-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders, and rakes; also agricultural tractors; also component parts of these implements or tractors, provided that they can be readily fitted into their proper places in the implements or tractors for which they are imported, and that they cannot ordinarily be used for purposes unconnected with agriculture. |
| 16 | The following DAIRY APPLIANCES, namely, cream separators, milk sterilizing or pasteurizing plant, milk aërating and cooling apparatus, churns, butter dryers, and butter workers; also component parts of these appliances, provided that they can be readily fitted into their proper places in the appliances for which they are imported, and that they cannot ordinarily be used for other than dairy purposes. |
| 17 | INSTRUMENTS, APPARATUS and APPLIANCES, imported by a passenger as part of his personal baggage and in actual use by him in the exercise of his profession or calling. |
| 18 | WATER-LIFTS, SUGAR-MILLS, OIL-PRESSES, and parts thereof, when constructed so that they can be worked by manual or animal power. |
| | METALS. |
| 19 | CURRENT NICKEL, BRONZE, AND COPPER COIN of the Government of India. |
| 20 | GOLD AND SILVER BULLION and coin. |
| | PAPER. |
| 21 | TRADE CATALOGUES AND ADVERTISING CIRCULARS imported by packet, book, or parcel post. |
| | YARNS AND TEXTILE FABRICS. |
| 22 | SECOND-HAND OR USED GUNNY BAGS made of jute. |
| | MISCELLANEOUS. |
| 23 | ART, the following works of:—(1) statuary and pictures intended to be put up for the public benefit in a public place, and (2) memorials of a public character intended to be put up in a public place, including the materials used, or to be used in their construction, whether worked or not. |
| 24 | BOOKS printed, including covers for printed books, maps, charts, and plans, proofs, music and manuscripts. |
| | **IV.—Miscellaneous and unclassified—** |
| 25 | ANIMALS, living, all sorts. |
| 26 | SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, and medals and antique coins." |

## SCHEDULE II—IMPORT TARIFF.

### PART II.

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | **I.—Food, Drink and Tobacco—** | | R A. |
| | FISH. | | |
| 27 | FISH, SALTED, wet or dry . . . . . | Indian maund of 82⅔ lbs. avoirdupois weight. | Such rate or rates of duty not exceeding one rupee as the Governor General in Council may, by notification in the Gazette of India, from time to time, prescribe. |
| | LIQUORS. | | |
| 28 | ALE, Beer, Porter, Cider and other fermented liquors. | Imperial gallon or 6 quart bottles. | Eight annas. |
| 29 | SPIRIT, which has been rendered effectually and permanently unfit for human consumption. | *Ad valorem* . . | 7½ per cent. |
| 30 | PERFUMED SPIRITS . . . . . | Imperial gallon or 6 quart bottles. | 36 0 |
| 31 | LIQUEURS, Cordials, Mixtures and other preparations containing spirit— | | |
| | (*a*) Entered in such a manner as to indicate that the strength is not to be tested. | Ditto. | 30 0 |
| | (*b*) If tested . . . . . | Imperial gallon or 6 quart bottles of the strength of London proof. | 21 14 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof. |
| 32 | All other sorts of SPIRIT . . . . . | Ditto. | Ditto. |
| 33 | WINES— | | |
| | Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit. | Imperial gallon or 6 quart bottles. | 9 0 |
| | All other sorts of wines not containing more than 42 per cent. of proof spirit: | Ditto. | 4 8 |
| | Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to 'All other sorts of Spirit.' | | |
| | SUGAR. | | |
| 34 | SUGAR, all sorts including molasses and saccharine produce of all sorts, but excluding confectionery (*see* No. 124). | *Ad valorem* . | 25 per cent. |
| | OTHER FOOD AND DRINK. | | |
| 35 | SALT, excluding salt exempted under No. 2 . | Indian maund of 82⅔ lbs. avoirdupois weight. | The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place. |
| | TOBACCO. | | |
| 36 | TOBACCO, unmanufactured . . . . . | Pound . . . | 1 0 |
| 37 | CIGARS AND CIGARETTES . . . . . | *Ad valorem* . . | 75 per cent. |
| 38 | All other sorts of TOBACCO manufactured . | Pound . . . | 2 4 |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*contd.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | | | R a. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** | | |
| | COAL, COKE AND PATENT FUEL. | | |
| 39 | COAL, COKE AND PATENT FUEL . . | Ton . . | 0 8 |
| | OILS. | | |
| 40 | KEROSENE and MOTOR SPIRIT; also any mineral oil other than kerosene and motor spirit which has its flashing point below one hundred degrees of Fahrenheit's thermometer by Abel's close test.<br>NOTE.—Motor spirit is liable to an additional duty of 6 annas per gallon under Act II of 1917, as amended by Act III of 1919. | Imperial gallon . | Two annas and six pies. |
| 41 | MINERAL OIL which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is such as is not ordinarily used for any other purpose than for the batching of jute or other fibre, or for lubrication, and mineral oil which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose. | *Ad valorem* . . | 7½ per cent. |
| | **III.—Articles wholly or mainly manufactured—** | | |
| | ARMS, AMMUNITION AND MILITARY STORES. | | |
| 42 | Subject to the exemptions specified in No. 12— | | R |
| | (1) Firearms other than pistols, including gas and air-guns and rifles. | Each . . . | 15 } |
| | (2) Barrels for the same, whether single or double. | „ . . . | 15 \| |
| | (3) Pistols, including automatic pistols and revolvers. | „ . . . | 15 \| |
| | (4) Barrels for the same, whether single or double. | „ . . . | 15 \| |
| | (5) Main springs and magazine springs for firearms, including gas-guns and rifles. | „ . . . | 5 } or 30 per cent. *ad valorem*, whichever is higher. |
| | (6) Gun stocks and breech blocks . . . | „ . . . | 3 \| |
| | (7) Revolver-cylinders, for each cartridge they will carry. | „ . . . | 2 \| |
| | (8) Actions (including skeleton and waster) breech bolts and their heads, cocking pieces, and locks for muzzle loading arms. | „ . . . | 1 } |
| | (9) Machines for making, loading, or closing cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. |
| | (10) Machines for capping cartridges for rifled arms. | *Ad valorem* . . | 30 per cent. |

## SCHEDULE II—IMPORT TARIFF.

### PART II—*concld.*

### Articles which are liable to duty at special rates.

| No. | Names of Articles. | Unit or method of assessment. | Rate of duty. |
|---|---|---|---|
| | CHEMICALS, DRUGS AND MEDICINES. | | R a. |
| 43 | Opium and its alkaloids and their derivatives. | Seer of 80 tolas . | 24 0 |
| | YARNS AND TEXTILE FABRICS. | | |
| 44 | COTTON TWIST AND YARN, and COTTON SEWING or DARNING THREAD. | *Ad valorem* . . | 5 per cent. |
| 45 | COTTON PIECE-GOODS . . . . . | *Ad valoren* . . | 11 per cent. |
| | MISCELLANEOUS. | | |
| 46 | Matches— | | R a. |
| | (1) In boxes containing on the average not more than 100 matches. | Per gross of boxes . | 1 8 |
| | (2) In boxes containing on the average more than 100 matches. | For every 25 matches or fraction thereof in each box, per gross of boxes. | 0 6 |

## SCHEDULE II—IMPORT TARIFF.

### PART III.

### Articles which are liable to duty at 2½ per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | GRAIN, PULSE AND FLOUR. |
| 47 | GRAIN AND PULSE, all sorts, including broken grains and pulse, but excluding flour (*see* No. 68). |
| | PROVISIONS AND OILMAN'S STORES. |
| 48 | VINEGAR in casks. |
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | WOOD AND TIMBER. |
| 49 | FIREWOOD. |
| | **III.—Articles wholly or mainly manufactured—** |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 50 | COPPERAS, green. |
| | MACHINERY. |
| 51 | MACHINERY, namely, prime-movers and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire engines, motor tractors designed for purposes other than agriculture, and other machines in which the prime-mover is not separable from the operative parts.<br><br>MACHINERY (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which, before being brought into use, require to be fixed with reference to other moving parts; and including belting of all materials for driving machinery:<br><br>Provided that the term does not include tools and implements to be worked by manual or animal labour and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose.<br><br>*Note.*—This entry includes machinery and component parts thereof made of substances other than metal. |
| | METALS OTHER THAN IRON AND STEEL. |
| 52 | LEAD sheets, for tea-chests. |
| | MISCELLANEOUS. |
| 53 | AEROPLANES, aeroplane parts, aeroplane engines and aeroplane engine parts. |
| 54 | PRINTING AND LITHOGRAPHING MATERIAL, namely, presses, type, ink, aluminium lithographic plates, brass rules, composing sticks, chases, imposing tables, and lithographic stones, stereo-blocks, wood blocks, half tone blocks, electrotype blocks, roller moulds, roller frames and stocks, roller composition, standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead and rule cutters, type casting machines, type setting and casting machines, rule bending machines, rule mitreing machines, bronzing machines, leads, wooden and metal quoins, shooting sticks and galleys, stereotyping apparatus, metal furniture, paper folding machines, and paging machines, but excluding paper (*see* No. 99). |
| 55 | RACKS for the withering of tea leaf. |
| 56 | TEA-CHESTS of metal or wood, whether imported entire or in sections, provided that the Collector of Customs is satisfied that they are imported for the purpose of the packing of tea for transport in bulk. |
| 57 | FODDER, BRAN AND POLLARDS. |

## SCHEDULE II—IMPORT TARIFF.

### PART IV.

### Articles which are liable to duty at 10 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **II.—Raw materials and produce and articles mainly unmanufactured—** |
| | METALLIC ORES AND SCRAP IRON OR STEEL FOR RE-MANUFACTURE. |
| 58 | IRON OR STEEL, old. |
| | **III.—Articles wholly or mainly manufactured—** |
| | HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 59 | TELEGRAPHIC INSTRUMENTS AND APPARATUS, and parts thereof imported by, or under the orders of a railway company. |
| | METALS—IRON AND STEEL. |
| 60 | IRON, angle. |
| | „ bar, rod and channel, including channel for carriages. |
| | „ pig. |
| | „ rice bowls. |
| 61 | IRON OR STEEL, anchors and cables. |
| | „ „ beams, joists, pillars, girders, screw piles, bridge work and other descriptions of iron or steel, imported exclusively for building purposes; including also ridging, guttering and continuous roofing. |
| | „ „ bolts and nuts, including hook-bolts and nuts for roofing. |
| | „ „ hoops and strips. |
| | „ „ nails, rivets and washers, all sorts. |
| | „ „ pipes and tubes and fittings therefor, such as bends, boots, elbows, tees, sockets, flanges and the like. |
| | „ „ rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes) switches and crossings, other than those described in No. 63, also lever-boxes, clip and tie-bars. |
| | „ „ sheets and plates, all sorts excluding discs and circles which are dutiable under No. 97. |
| | „ „ wire, including fencing wire, piano-wire and wire-rope, but excluding wire-netting which is dutiable under No. 97. |
| 62 | STEEL, angle. |
| | „ bar, rod, and channel, including channel for carriages. |
| | „ cast, including spring blistered and tub steel. |
| | „ ingots, blooms, billets and slabs. |
| | RAILWAY PLANT AND ROLLING-STOCK. |
| 63 | RAILWAY MATERIALS for permanent-way and rolling-stock, namely, cylinders, girders, and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, wagons, traversers, trollies, trucks, and component parts thereof; also the following articles when imported by, or under the orders of, a railway company, namely, cranes, water cranes, water tanks, and standards, wire and other materials for fencing :<br><br>Provided that for the purpose of this entry 'railway' means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a State in India and also such tramways as the Governor General in Council may, by notification in the Gazette of India, specifically include therein :<br><br>Provided also that only such articles shall be admitted as component parts of railway material as are indispensable for the working of railways, and are, owing to their shape or to other special quality, not adapted for any other purpose. |
| 64 | SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, launches, boats and barges imported entire or in sections. |

## SCHEDULE II—IMPORT TARIFF.

### PART V.

### Articles which are liable to duty at 15 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| | FISH. |
| 65 | FISH, excluding salted fish (*see* No. 27). |
| 66 | FISHMAWS, including singally and sozille, and sharkfins. |
| | FRUITS AND VEGETABLES. |
| 67 | FRUITS AND VEGETABLES, all sorts, fresh, dried, salted or preserved. |
| | GRAIN, PULSE AND FLOUR. |
| 68 | FLOUR. |
| | PROVISIONS AND OILMAN'S STORES. |
| 69 | PROVISIONS AND OILMAN'S STORES AND GROCERIES, all sorts, excluding vinegar in casks (*see* No. 48). |
| | SPICES. |
| 70 | SPICES, all sorts. |
| | TEA. |
| 71 | TEA. |
| | OTHER FOOD AND DRINK. |
| 72 | COFFEE. |
| 73 | All other sorts of Food and Drink not otherwise specified. |
| | **II.—Raw materials and produce and articles mainly unmanufactured –** |
| | GUMS, RESINS AND LAC. |
| 74 | GUMS, RESINS AND LAC, all sorts. |
| | OILS. |
| 75 | All sorts of animal, essential, mineral and vegetable non-essential oils not otherwise specified (*see* Nos. 40 and 41). |
| | SEEDS. |
| 76 | SEEDS, all sorts, excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (*see* No. 6). |
| | TALLOW, STEARINE AND WAX. |
| 77 | TALLOW AND STEARINE, including grease and animal fat and wax of all sorts not otherwise specified. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | TEXTILE MATERIALS. |
| 78 | TEXTILE MATERIALS, the following :— |
| | Silk waste, and raw silk including cocoons, raw flax, hemp, jute and all other unmanufactured textile materials not otherwise specified. |
| | WOOD AND TIMBER. |
| 79 | WOOD AND TIMBER, all sorts, not otherwise specified, including all sorts of ornamental wood. |
| | MISCELLANEOUS. |
| 80 | CANES AND RATTANS. |
| 81 | COWRIES and SHELLS. |
| 82 | IVORY, unmanufactured. |
| 83 | PRECIOUS STONES, unset and imported cut (*see* No. 5). |
| 84 | All other raw materials and produce and articles mainly unmanufactured, not otherwise specified. |
| | **III.—Articles wholly or mainly manufactured—** |
| | APPAREL. |
| 85 | APPAREL, including drapery, boots and shoes, and military and other uniforms and accoutrements, but excluding uniforms and accoutrements exempted from duty under No. 11 and gold and silver thread (*see* Nos. 132 and 133), and articles made of silk (*see* No. 134). |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 86 | EXPLOSIVES, namely, blasting gunpowder, blasting gelatine, blasting dynamite, blasting roburite, blasting tonite, and all other sorts, including detonators and blasting fuze. |
| | CARRIAGES AND CARTS. |
| 87 | CARRIAGES AND CARTS, including tram cars, motor-omnibuses, motor-lorries, motor-vans, jinrikshas, bath-chairs, perambulators, trucks, wheel-barrows, and all other sorts of conveyances not otherwise specified, and such component parts and accessories thereof, as are not also adapted for use as parts or accessories of motor-cars, motor-cycles, motor-scooters, bicycles or tricycles (*see* No. 127). |
| | CHEMICALS, DRUGS AND MEDICINES. |
| 88 | CHEMICALS, DRUGS AND MEDICINES, all sorts, not otherwise specified. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 89 | CUTLERY, excluding plated cutlery (*see* No. 129). |
| 90 | HARDWARE, IRONMONGERY AND TOOLS, all sorts, not otherwise specified. |
| 91 | All other sorts of IMPLEMENTS, INSTRUMENTS, APPARATUS AND APPLIANCES and parts thereof, not otherwise specified. |
| | DYES AND COLOURS. |
| 92 | DYEING AND TANNING SUBSTANCES, all sorts, and paints and colours and painters' materials, all sorts. |
| | FURNITURE, CABINETWARE AND MANUFACTURES OF WOOD. |
| 93 | FURNITURE, CABINETWARE and all other manufactures of wood not otherwise specified. |
| | GLASSWARE AND EARTHENWARE. |
| 94 | GLASS AND GLASSWARE, lacquered ware, earthenware, china and porcelain; all sorts, except glass bangles and beads and false pearls (*see* No. 131). |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*contd.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| | HIDES AND SKINS AND LEATHER. |
| 95 | HIDES AND SKINS not otherwise specified, LEATHER AND LEATHER MANUFACTURES, all sorts, not otherwise specified. |
| | MACHINERY. |
| 96 | MACHINERY AND COMPONENT PARTS thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified (*see* Nos. 15, 16 and 18). |
| | METALS—IRON AND STEEL. |
| 97 | All sorts of IRON AND STEEL and manufactures thereof, not otherwise specified. |
| | METALS OTHER THAN IRON AND STEEL. |
| 98 | All sorts of METALS OTHER THAN IRON AND STEEL, and manufactures thereof, not otherwise specified. |
| | PAPER, PASTEBOARD AND STATIONERY. |
| 99 | PAPER AND ARTICLES MADE OF PAPER AND PAPIER MACHÉ, PASTEBOARD, MILLBOARD, AND CARDBOARD, all sorts, and STATIONERY, including ruled or printed forms and account and manuscript books, drawing and copy books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also wastepaper and old newspapers for packing, but excluding trade catalogues and advertising circulars imported by packet, book, or parcel post (*see* No. 21). |
| | YARNS AND TEXTILE FABRICS. |
| 100 | YARNS AND TEXTILE FABRICS, that is to say:— |
| | Cotton thread other than sewing or darning thread, and all other manufactured cotton goods not otherwise specified. |
| | Flax, twist and yarn, and manufactures of flax. |
| | Haberdashery and millinery, excluding articles made of silk (*see* No. 134). |
| | Hemp manufactures. |
| | Hosiery, excluding articles made of silk (*see* No. 134). |
| | Jute, twist and yarn, and jute manufactures, excluding secondhand or used gunny bags (*see* No. 22). |
| | Silk yarn, noils and warps and silk thread. |
| | Woollen yarn, knitting wool, and other manufactures of wool, including felt. |
| | All other sorts of yarns and textile fabrics, not otherwise specified. |
| | MISCELLANEOUS. |
| 101 | ART, works of, excluding those specified in No. 23. |
| 102 | BRUSHES AND BROOMS. |
| 103 | BUILDING AND ENGINEERING MATERIALS, including asphalt, bricks, cement, chalk and lime, clay, pipes of earthenware, tiles, and all other sorts of building and engineering materials not otherwise specified. |
| 104 | CANDLES. |
| 105 | CINEMATOGRAPH FILMS. |
| 106 | CORDAGE AND ROPE AND TWINE OF VEGETABLE FIBRE. |
| 107 | FURNITURE, TACKLE AND APPAREL, not otherwise described, for steam, sailing, rowing and other vessels. |

## SCHEDULE II—IMPORT TARIFF.

### PART V—*concld.*

### Articles which are liable to duty at 15 per cent. *ad valorem.*

| No. | Names of Articles. |
|---|---|
| 108 | MATS AND MATTING. |
| 109 | OILCAKES. |
| 110 | OILCLOTH AND FLOOR CLOTH. |
| 111 | PACKING—ENGINE AND BOILER—all sorts, excluding packing forming a component part of any article included in Nos. 51 and 63. |
| 112 | PERFUMERY, not otherwise specified. |
| 113 | PITCH, TAR AND DAMMER. |
| 114 | POLISHES AND COMPOSITIONS. |
| 115 | RUBBER tyres and other manufactures of rubber, not otherwise specified (*see* No. 130). |
| 116 | SOAP. |
| 117 | STARCH AND FARINA. |
| 118 | STONE AND MARBLE, and articles made of stone and marble. |
| 119 | TOILET REQUISITES, not otherwise specified. |
| 120 | All other articles wholly or mainly manufactured, not otherwise specified. |
| | **IV.—Miscellaneous and unclassified—** |
| 121 | CORAL. |
| 122 | UMBRELLAS, INCLUDING PARASOLS AND SUNSHADES, AND FITTINGS THEREFOR. |
| 123 | All other articles not otherwise specified, including articles imported by post. |

## SCHEDULE II—IMPORT TARIFF.

### PART VI.

### Articles which are liable to duty at 30 per cent. *ad valorem*.

| No. | Names of Articles. |
|---|---|
| | **I.—Food, Drink and Tobacco—** |
| 124 | CONFECTIONERY. |
| | **II.—Articles wholly or mainly manufactured--** |
| | ARMS, AMMUNITION AND MILITARY STORES. |
| 125 | GUNPOWDER FOR CANNONS, rifles, guns, pistols and sporting purposes. |
| 126 | Subject to the exemptions specified in No. 12 all articles other than those specified in entry No. 42 which are arms or parts of arms within the meaning of the Indian Arms Act, 1878 (excluding springs used for air-guns which are dutiable as hardware under No. 90), all tools used for cleaning or putting together the same, all machines for making, loading, closing or capping cartridges for arms other than rifled arms and all other sorts of ammunition and military stores, and any articles which the Governor General in Council may, by notification in the Gazette of India, declare to be ammunition or military stores for the purposes of this Act. |
| | CARRIAGES AND CARTS. |
| 127 | MOTOR CARS, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 87 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles. |
| | CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS. |
| 128 | CLOCKS AND WATCHES AND PARTS THEREOF. |
| 129 | ARTICLES PLATED WITH GOLD AND SILVER. |
| 130 | MUSICAL INSTRUMENTS. |
| | GLASSWARE AND EARTHENWARE. |
| 131 | GLASS BANGLES and BEADS and false pearls. |
| | METALS. |
| 132 | GOLD PLATE, gold thread and wire, and gold manufactures, all sorts. |
| 133 | SILVER PLATE, silver thread and wire, and silver manufactures, all sorts. |
| | YARNS AND TEXTILE FABRICS. |
| 134 | SILK PIECE-GOODS, and other manufactures of silk. |
| | MISCELLANEOUS. |
| 135 | FIRE-WORKS. |
| 136 | IVORY, manufactured. |
| 137 | JEWELLERY AND JEWELS. |
| 138 | PRINTS, engravings and pictures, including photographs and picture postcards. |
| 139 | PNEUMATIC RUBBER TYRES AND TUBES for motor cars, motor lorries, motor cycles, motor scooters, bicycles and tricycles. |
| 140 | SMOKERS' REQUISITES, excluding tobacco (Nos. 36 to 38) and matches (No. 46). |
| 141 | TOYS, games, playing cards and requisites for games and sports, including bird-shot. |

## SCHEDULE II.

Schedule to be inserted in the Indian Post Office Act, 1898.

(*See section* .)

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(*See section 7.*)

*Letters.*

| | |
|---|---|
| For a weight not exceeding two and a half tolas | One anna. |
| For every two and a half tolas, or fraction thereof, exceeding two and a half tolas | One anna. |

*Postcards.*

| | |
|---|---|
| Single | Half an anna. |
| Reply | One anna. |

*Book, Pattern and Sample Packets.*

| | |
|---|---|
| For every five tolas or fraction thereof | Half an anna. |

*Registered Newspapers.*

| | |
|---|---|
| For a weight not exceeding eight tolas | Quarter of an anna. |
| For a weight exceeding eight tolas and not exceeding twenty tolas | Half an anna. |
| For every twenty tolas, or fraction thereof, exceeding twenty tolas | Half an anna. |

*Parcels.*

| | |
|---|---|
| For a weight not exceeding twenty tolas | Two annas. |
| For a weight exceeding twenty tolas and not exceeding forty tolas | Four annas. |
| For every forty tolas, or fraction thereof, exceeding forty tolas | Four annas." |

## SCHEDULE III.

(*See section 7.*)

PART I.

*Rates of Income-tax.*

| | Rate. |
|---|---|
| A. In the case of every individual, every unregistered firm and every undivided Hindu family— | |
| (1) When the total income is less than Rs. 2,000 | *Nil.* |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupee. |
| B. In the case of every company, and every registered firm, whatever its total income | One anna and six pies in the rupee. |

PART II.

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income :—

| | Rate. |
|---|---|
| (1) in the case of every company | One anna in the rupee. |
| (2) (*a*) in the case of every Hindu undivided family— | |
| (*i*) in respect of the first twenty-five thousand rupees of the excess | *Nil.* |
| (*ii*) for every rupee of the next twenty-five thousand rupees of such excess | One anna in the rupee. |
| (*b*) in the case of every individual and every unregistered firm, for every rupee of the first fifty thousand rupees of such excess. | One anna in the rupee. |
| (*c*) in the case of every individual, every unregistered firm and every Hindu undivided family— | |
| (*i*) for every rupee of the second fifty thousand rupees of such excess | One and a half annas in the rupee. |
| (*ii*) for every rupee of the next fifty thousand rupees of such excess | Two annas in the rupee. |
| (*iii*) for every rupee of the next fifty thousand rupees of such excess | Two and a half annas in the rupee. |
| (*iv*) for every rupee of the next fifty thousand rupees of such excess | Three annas in the rupee. |

| | Rate. |
|---|---|
| (*v*) for every rupee of the next fifty thousand rupees of such excess . . . | Three and a half annas in the rupee. |
| (*vi*) for every rupee of the next fifty thousand rupees of such excess . . | Four annas in the rupee. |
| (*vii*) for every rupee of the next fifty thousand rupees of such excess . . . | Four and a half annas in the rupee. |
| (*viii*) for every rupee of the next fifty thousand rupees of such excess . . | Five annas in the rupee. |
| (*ix*) for every rupee of the next fifty thousand rupees of such excess . . . | Five and a half annas in the rupee. |
| (*x*) for every rupee of the remainder of the excess . . . . . | Six annas in the rupee. |

No. 1063-F.

GOVERNMENT OF INDIA.

FINANCE DEPARTMENT.

---

ACCOUNTS AND FINANCE.
ESTIMATES AND ACCOUNTS.

---

*Delhi, the 7th April 1922.*

## RESOLUTION.

The statements relating to the Revised estimates for 1921-22 and the Budget estimates for 1922-23 which were presented to the Legislative Assembly and the Council of State on the 1st March 1922 have now been revised as a result both of the changes made by the Legislative Assembly, when voting the demands for grants, and of the amendments made by the legislature in the Finance Bill as originally introduced. Certain alterations have also been made in the Revised estimates in the light of more recent information. The revised statements are now published for general information.

E. M. COOK,
*Secretary to the Government of India.*

# BUDGET

OF THE

# GOVERNMENT OF INDIA,

# MARCH 1922.

---

| | |
|---|---|
| ACCOUNTS . . . . . | 1920-21 |
| REVISED ESTIMATES . . . . . | 1921-22 |
| BUDGET ESTIMATES . . . . . | 1922-23 |

---

CONTENTS.


| | PAGE. |
|---|---|
| I.—GENERAL STATEMENT of the REVENUE and EXPENDITURE charged to REVENUE of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 710—711 |
| II.—GENERAL STATEMENT of the RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 712—713 |
| A.—STATEMENT of the REVENUE of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . | 714—717 |
| B.—STATEMENT of the EXPENDITURE charged to the REVENUES of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 718—721 |
| C.—STATEMENT of RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 722—725 |
| D.—ABSTRACT STATEMENT of the RECEIPTS and DISBURSEMENTS of the CENTRAL GOVERNMENT in INDIA and in ENGLAND . . . . . | 726 |


---

In these statements a pound sterling has been taken as the equivalent of ten rupees. Had this rate of exchange been realised the sterling equivalent of any rupee figure would have been found by dividing it by ten. The average rate of exchange (*i.e.*, the average of the daily telegraphic transfer rates from Calcutta on London) during the year $\frac{1920\text{-}21}{1921\text{-}22}$, however, being $\frac{\text{R}11\cdot6183}{\text{R}15\cdot0466\text{ (estimated)}}$ per £, the sterling equivalent of the total figure against any head will work out as follows :—

(1) Indian rupee figure divided by the average rate *plus*

(2) English sterling figure, *i.e.*, the rupee figure shown in the column "England" divided by ten.

NOTE.—The above formula will not apply in cases where an adjustment on account of exchange on the English expenditure is made on the Indian books. This adjustment consists in $\frac{\text{adding to}}{\text{subtracting from}}$ (in case of $\frac{\text{loss}}{\text{gain}}$ by exchange) the Indian rupee expenditure figures, the difference between the average and the conventional rate of £1=R10 on the *net* English expenditure. The effect of this adjustment is practically to convert the English sterling figure into rupees at an average instead of at the conventional rate of exchange. The sterling equivalent in such cases, therefore, will be obtained by dividing the total Indian and English rupee figure by the average rate given above. This formula will apply to—

(*i*) All figures against the commercial heads of Railways, Irrigation, and Posts and Telegraphs and the head New Capital at Delhi on the expenditure side.

(*ii*) The total expenditure figure.

## I.—General Statement of the Revenue and Expenditure charged to

| | For details, *vide* Statement. | (a) Accounts, 1920-1921. | Budget Estimate, 1921-1922. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Revenue—** | | | | | |
| Principal Heads of Revenue— | | | | | |
| Customs | A | 30,97,67,468 | 37,73,28,000 | 34,60,14,000 | 45,41,84,000 |
| Taxes on Income | „ | 20,91,74,322 | 18,58,07,000 | 18,14,13,000 | 22,11,39,000 |
| Salt | „ | 6,18,79,814 | 7,00,66,000 | 6,41,62,000 | 6,86,03,000 |
| Opium | „ | 3,53,40,611 | 3,72,85,000 | 3,03,24,000 | 3,09,30,000 |
| Other Heads | „ | 2,25,26,077 | 2,44,80,000 | 2,20,46,000 | 2,35,85,000 |
| TOTAL PRINCIPAL HEADS | | 63,86,88,292 | 69,49,66,000 | 64,39,59,000 | 79,84,41,000 |
| Railways: Net Receipts | „ | 25,01,61,164 | 27,25,63,000 | 15,13,77,000 | 31,10,94,000 |
| Irrigation: Net Receipts | „ | 2,91,275 | 4,24,000 | 7,15,000 | 7,22,000 |
| Posts and Telegraphs: Net Receipts | „ | 1,52,39,627 | 2,08,74,000 (b) | 37,67,000 | 1,75,28,000 |
| Interest Receipts | „ | 3,69,16,065 | 3,49,09,000 (c) | 1,04,66,000 | 84,31,000 |
| Civil Administration | „ | 73,20,374 | 76,35,000 | 72,14,000 | 86,49,000 |
| Currency, Mint and Exchange | „ | 2,88,22,548 | 49,73,000 | 4,20,56,000 | 3,22,31,000 |
| Civil Works | „ | 11,33,258 | 10,38,000 | 11,46,000 | 10,92,000 |
| Miscellaneous | „ | 2,63,88,053 | 7,52,76,000 | 6,85,31,000 | 66,11,000 |
| Military Receipts | „ | 6,47,86,936 | 4,11,10,000 | 7,23,85,000 | 5,54,14,000 |
| Contributions and Assignments to the Central Government by Provincial Governments | „ | 9,83,00,000 | 12,93,75,000 | 12,99,16,000 | 9,20,65,000 |
| TOTAL REVENUE | | 1,16,80,47,592 | 1,28,31,43,000 | 1,13,15,32,000 | 1,33,22,78,000 |
| DEFICIT | | 32,27,57,387 | ... | 28,79,20,000 | 9,16,28,000 |
| TOTAL | | 1,49,08,04,979 | 1,28,31,43,000 | 1,41,94,52,000 | 1,42,39,06,000 |

(a) The figures of revenue and expenditure shown in the column "Accounts, 1920-21" represent the revenue and expenditure of the Central Government as recast for facility of comparison in accordance with the present division of subjects between the Central and Provincial Governments.

(b) Includes R50 lakhs for difference on account of exchange on sterling money orders which, in the Revised Estimate for 1921-22 and the Budget Estimate for 1922-23, is shown under the suspense head for Exchange outside the revenue account.

(c) The interest recovered from Provincial Governments on the Provincial loan account and in respect of irrigation capital outlay and loans to Provincial Governments is shown under the receipt head in the Budget Estimate for 1921-22, but appears as a deduction from expenditure in the Revised Estimate for 1921-22 and Budget for 1922-23.

DELHI,
FINANCE DEPARTMENT,
*March 31, 1922.*

## Revenue of the Central Government, in India and in England.

| | For details, *vide* Statement. | (*a*) Accounts, 1920-1921. | Budget Estimate, 1921-1922. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Expenditure—** | | | | | |
| Direct Demands on the Revenues | B | 4,14,05,207 | 4,93,51,000 | 5,06,31,000 | 5,53,32,000 |
| Railways : Interest and Miscellaneous Charges | „ | 19,37,51,901 | 23,17,13,000 | 24,40,54,000 | 25,98,53,000 |
| Irrigation | „ | 11,81,729 | 11,84,000 | 13,51,000 | 11,19,000 |
| Posts and Telegraphs | „ | 1,34,56,370 | 98,02,000 | 1,37,57,000 | 97,32,000 |
| Debt Services | „ | 15,20,43,631 | 13,08,61,000 | 14,27,34,000 | 15,20,09,000 |
| Civil Administration | „ | 9,34,34,823 | 8,43,18,000 | 8,95,66,000 | 9,74,06,000 |
| Currency, Mint and Exchange | „ | 4,33,49,239 | 4,18,80,000 | 9,39,73,000 | 10,81,72,000 |
| Civil Works | „ | 1,95,56,710 | 1,51,03,000 | 1,52,77,000 | 1,61,49,000 |
| Miscellaneous | „ | 4,39,77,117 | 4,24,37,000 | 4,50,00,000 | 4,05,91,000 |
| Military Services | „ | 68,23,24,252 | 66,31,10,000 | 71,54,71,000 | 67,72,14,000 |
| Miscellaneous adjustments between the Central and Provincial Governments. | „ | 63,24,000 | 62,84,000 | 76,38,000 | 63,29,000 |
| TOTAL EXPENDITURE CHARGED TO REVENUE | | 1,49,08,04,979 | 1,27,60,43,000 | 1,41,94,52,000 | 1,42,39,06,000 |
| SURPLUS | | ... | 71,00,000 | ... | ... |
| TOTAL | | 1,49,08,04,979 | 1,28,31,43,000 | 1,41,94,52,000 | 1,42,39,06,000 |

A. C. McWATTERS,
*Controller of the Currency.*

F. M. COOK,
*Secretary to the Government of India.*

## II.—General Statement of the Receipts and Disbursements of the

| | For details, *vide* Statement. | Receipts. Accounts, 1920-21. | Budget Estimate, 1921-22. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|
| | | R | R | R | R |
| **Surplus** | C | ... | 71,00,000 | ... | ... |
| **Railway Capital not charged to Revenue—** | | | | | |
| Capital contributed by Railway Companies and Indian States towards construction of State Railways | " | ... | 3,99,34,000 | 64,65,000 | 3,86,74,000 |
| **Debt, Deposits and Advances—** | | | | | |
| Permanent Debt (net incurred) | " | 28,30,14,560 | 17,87,93,000 | 23,91,08,000 | 41,21,93,000 |
| Temporary Debt (net incurred) | " | 24,03,92,938 | ... | 25,08,16,000 | ... |
| Unfunded Debt (net incurred) | " | 2,90,60,125 | 4,14,66,000 | 4,44,75,000 | 3,07,15,000 |
| Deposits and Advances (net) | " | ... | 14,15,65,000 | 14,25,50,000 | 24,76,67,000 |
| Loans and Advances by Central Government (net Repayments) | " | 12,75,376 | 18,23,000 | ... | 9,74,000 |
| Loans and Advances by Provincial Governments | " | 2,27,057 | ... | ... | ... |
| Remittances (net) | " | 15,29,849 | 7,50,34,000 | 5,56,15,000 | 1,41,53,000 |
| Secretary of State's Bills drawn | " | ... | ... | ... | ... |
| Sterling Transfers on London drawn | " | 30,98,80,000 | ... | ... | ... |
| Balances of Provincial Governments (net) | " | 86,68,098 | ... | ... | ... |
| TOTAL DEBT, DEPOSITS AND ADVANCES | ... | 87,40,48,003 | 43,86,81,000 | 73,25,64,000 | 70,57,02,000 |
| TOTAL RECEIPTS | ... | 87,40,48,003 | 48,57,15,000 | 73,90,29,000 | 74,43,76,000 |
| Opening Balance—India | ... | 26,47,59,962 | 16,37,18,962 | 13,83,56,201 | 22,48,09,901 |
| England | ... | 11,99,73,931 | 6,00,18,930 | 7,20,98,319 | 7,00,48,319 |
| TOTAL | ... | 1,25,87,81,896 | 70,94,52,892 | 94,94,84,220 | 1,03,92,34,220 |

M. F. GAUNTLETT,
*Auditor General.*

DELHI,
FINANCE DEPARTMENT,
*March 31, 1922.*

## Central Government, in India and in England.

| | For details, *vide* Statement. | Disbursements. | | | |
|---|---|---|---|---|---|
| | | Accounts, 1920-21. | Budget Estimate, 1921-22. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
| | | R | R | R | R |
| **Deficit** | C | 26,00,85,276 | ... | 28,79,20,000 | 9,16,28,000 |
| **Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue—** | | | | | |
| Construction of State Railways | „ | 25,88,88,911 | 17,81,56,000 | 23,67,59,000 | 30,00,00,000 |
| Capital outlay on Indian Postal and Telegraph Department | „ | ... | 1,00,00,000 | 1,28,06,000 | 1,45,00,000 |
| Construction of Irrigation Works | „ | 66,83,195 | 3,14,000 | 6,20,000 | 2,69,000 |
| Initial expenditure on new Capital at Delhi | „ | 1,25,75,011 | 1,06,89,000 | 1,40,10,000 | 2,00,00,000 |
| Payments for discharge of Debentures (net) | „ | 57,16,214 | 3,99,34,000 | 5,00,000 | 3,60,49,000 |
| TOTAL CAPITAL ACCOUNT DISBURSEMENTS | ... | 28,38,63,331 | 23,90,93,000 | 26,46,95,000 | 37,08,18,000 |
| **Debt, Deposits and Advances—** | | | | | |
| Permanent Debt (net discharged) | „ | ... | ... | ... | ... |
| Temporary Debt (net discharged) | „ | ... | 20,41,69,000 | ... | 29,94,46,000 |
| Deposits and Advances (net) | „ | 18,66,08,069 | ... | ... | ... |
| Loans and Advances by Central Government (net Advances) | „ | ... | ... | 2,72,000 | ... |
| Loans between Central and Provincial Governments (net Advances). | „ | ... | 1,19,56,000 | 5,92,00,000 | 5,50,00,000 |
| Remittances (net) | „ | ... | ... | ... | ... |
| Secretary of State's Bills paid | „ | ... | ... | ... | ... |
| Sterling Transfers on London paid | „ | 31,77,70,000 | ... | ... | ... |
| Balances of Provincial Governments (net) | „ | ... | 5,71,41,000 | 4,25,39,000 | 4,35,44,000 |
| TOTAL DEBT, DEPOSITS AND ADVANCES | ... | 50,43,78,069 | 27,32,66,000 | 10,20,11,000 | 39,79,90,000 |
| TOTAL DISBURSEMENTS | ... | 1,04,83,26,676 | 51,23,59,000 | 65,46,26,000 | 86,04,36,000 |
| Closing Balance—India | ... | 13,83,56,901 | 15,06,25,962 | 22,48,09,901 | 13,63,84,901 |
| England | ... | 7,20,98,319 | 4,64,67,930 | 7,00,48,319 | 4,24,63,319 |
| TOTAL | ... | 1,25,87,81,896 | 70,94,52,892 | 94,94,84,220 | 1,03,92,34,220 |

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

## A.—Statement of the Revenue of th

| HEADS OF REVENUE. | Accounts, 1920-21. | | | Revised Estimat | |
|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. |
| | R | R | R | R | R |
| **Principal Heads of Revenue—** | | | | | |
| I.—Customs | 30,97,67,468 | ... | **30,97,67,468** | 34,60,14,000 | ... |
| II.—Taxes on Income | 20,91,74,322 | ... | **20,91,74,322** | 18,14,13,000 | ... |
| III.—Salt | 6,18,79,814 | ... | **6,18,79,814** | 6,41,62,000 | ... |
| IV.—Opium | 3,53,40,611 | ... | **3,53,40,611** | 3,03,24,000 | ... |
| V.—Land Revenue | 41,78,484 | ... | **41,78,484** | 36,66,000 | ... |
| VI.—Excise | 57,65,332 | ... | **57,65,332** | 55,81,000 | ... |
| VII.—Stamps— | | | | | |
| A.—Non-judicial | 23,69,767 | ... | **23,69,767** | 10,08,000 | ... |
| B.—Judicial | | | | 14,19,000 | ... |
| VIII.—Forest | 13,78,974 | ... | **13,78,974** | 13,73,000 | ... |
| IX.—Registration | 1,59,515 | ... | **1,59,515** | 1,72,000 | ... |
| X.—Tributes from Indian States | 86,74,005 | ... | **86,74,005** | 88,27,000 | ... |
| Total | 63,86,88,292 | ... | **63,86,88,292** | 64,39,59,000 | ... |
| **Railways—** | | | | | |
| XI.—State Railways— | | | | | |
| Gross Receipts | 80,92,89,163 | 4,86,070 | **80,97,75,233** | 81,77,44,000 | 4,86,00( |
| *Deduct*—Working Expenses | *54,51,37,464* | ... | ***54,51,37,464*** | *65,88,80,000* | ... |
| Surplus Profits paid to Companies | *1,72,51,527* | ... | ***1,72,51,527*** | *1,04,09,000* | ... |
| Net Receipts | 24,69,00,172 | 4,86,070 | **24,73,86,242** | 14,84,55,000 | 4,86,00( |
| XII.—Subsidised Companies | 6,34,522 | 21,40,400 | **27,74,922** | 10,12,000 | 14,24,00( |
| Total | 24,75,34,694 | 26,26,470 | **25,01,61,164** | 14,94,67,000 | 19,10,00( |
| **Irrigation, etc.—** | | | | | |
| XIII.—Works for which Capital accounts are kept | 3,20,901 | —32,130 | **2,88,771** | 7,44,000 | —33,00( |
| XIV.—Works for which no Capital accounts are kept | 2,504 | ... | **2,504** | 4,000 | ... |
| Total | 3,23,405 | —32,130 | **2,91,275** | 7,48,000 | —33,00( |
| **Posts and Telegraphs—** | | | | | |
| XV.—Gross Receipts | 9,61,14,116 | 86,360 | **9,62,00,476** | 9,12,92,000 | 12,00( |
| *Deduct*—Working Expenses | *8,06,31,219* | *3,29,630* | ***8,09,60,849*** | *8,72,94,000* | *2,43,00( |
| Net Receipts | 1,54,82,897 | —2,43,270 | **1,52,39,627** | 39,98,000 | —2,31,00( |
| **Interest Receipts—** | | | | | |
| XVI.—Interest | 3,48,12,955 | 21,03,110 | **3,69,16,065** | 80,42,000 | 24,24,00( |
| Carried over | 93,68,42,243 | 44,54,180 | **94,12,96,423** | 80,62,14,000 | 40,70,00( |

(a) Of this amount R36,16,000 is non-voted and the balance of R65,52,64,000 is voted.
(b) Of this amount R34,60,000 is non-voted and the balance of R67,71,14,000 is voted.
(c) The whole of this amount is voted.

## Central Government, in India and in England.

| 1921-22 | Increase (+) Decrease (—) as compared with Budget Estimate, 1921-22. | Budget Estimate, 1922-23. | | | Increase (+) Decrease (—) of Budget, 1922-23, as compared with Budget, 1921 22. | Increase (+) Decrease (—) of Budget, 1922-23, as compared with Revised, 1921-22. |
|---|---|---|---|---|---|---|
| Total. | | India. | England. | Total. | | |
| R | R | R | R | R | R | R |
| 34,60,14,000 | —3,13,14,000 | 45,41,84,000 | ... | 45,41,84,000 | +7,68,56,000 | +10,81,70,000 |
| 18,14,13,000 | —43,94,000 | 22,11,39,000 | ... | 22,11,39,000 | +3,53,32,000 | +3,97,26,000 |
| 6,41,62,000 | —59,04,000 | 6,86,03,000 | ... | 6,86,03,000 | —14,63,000 | +44,41,000 |
| 3,03,24,000 | —69,61,000 | 3,09,30,000 | ... | 3,09,30,000 | —63,55,000 | +6,06,000 |
| 36,66,000 | —6,32,000 | 43,93,000 | ... | 43,93,000 | +95,000 | +7,27,000 |
| 55,81,000 | —1,55,000 | 56,22,000 | ... | 56,22,000 | —1,14,000 | +41,000 |
| 10,08,000 | —1,23,000 | 10,08,000 | ... | 10,08,000 | —1,23,000 | ... |
| 14,19,000 | —60,000 | 14,21,000 | ... | 14,21,000 | —58,000 | +2,000 |
| 13,73,000 | —16,14,000 | 21,68,000 | ... | 21,68,000 | —8,19,000 | +7,95,000 |
| 1,72,000 | +19,000 | 1,68,000 | ... | 1,68,000 | +15,000 | —4,000 |
| 88,27,000 | +1,31,000 | 88,05,000 | ... | 88,05,000 | +1,09,000 | —22,000 |
| 64,39,59,000 | —5,10,07,000 | 79,84,41,000 | ... | 79,84,41,000 | +10,34,75,000 | +15,44,82,000 |
| 81,82,30,000 | —5,23,53,000 | 99,52,42,000 | 4,84,000 | 99,57,26,000 | +12,51,43,000 | +17,74,96,000 |
| *65,88,80,000* (a) | —7,19,38,000 | *68,05,74,000* | ... | *68,05,74,000* (b) | —9,36,32,000 | —2,16,94,000 |
| *1,04,09,000* (c) | +27,91,000 | *60,00,000* | ... | *60,00,000* (c) | +72,00,000 | +44,09,000 |
| 14,89,41,000 | —12,15,00,000 | 30,86,68,000 | 4,84,000 | 30,91,52,000 | +3,87,11,000 | +16,02,11,000 |
| 24,36,000 | +3,14,000 | 8,12,000 | 11,30,000 | 19,42,000 | —1,80,000 | —4,94,000 |
| 15,13,77,000 | —12,11,86,000 | 30,94,80,000 | 16,14,000 | 31,10,94,000 | +3,85,31,000 | +15,97,17,000 |
| 7,11,000 (d) | +2,90,000 | 7,48,000 | —30,000 | 7,18,000 (e) | +2,97,000 | +7,000 |
| 4,000 | +1,000 | 4,000 | ... | 4,000 | +1,000 | ... |
| 7,15,000 | +2,91,000 | 7,52,000 | —30,000 | 7,22,000 | +2,98,000 | +7,000 |
| 9,13,04,000 | —1,81,80,000 | 11,12,29,000 | 3,25,000 | 11,15,54,000 | +20,70,000 | +2,02,50,000 |
| *8,75,37,000* (f) | +10,73,000 | *9,35,36,000* | *4,90,000* | *9,40,26,000* (g) | —54,16,000 | —64,89,000 |
| 37,67,000 | —1,71,07,000 | 1,76,93,000 | —1,65,000 | 1,75,28,000 | —33,46,000 | +1,37,61,000 |
| 1,04,66,000 | —2,44,43,000 | 81,28,000 | 3,03,000 | 84,31,000 | —2,64,78,000 | —20,35,000 |
| 81,02,84,000 | —21,34,52,000 | 1,13,44,94,000 | 17,22,000 | 1,13,62,16,000 | +11,24,80,000 | +32,59,32,000 |

(d) Represents net receipts after deduction of R12,81,000 on account of working expenses, of which R26,000 is non-voted and the balance of R12,55,000 is voted.

(e) Represents net receipts after deduction of R12,87,000 on account of working expenses, of which R23,000 is non-voted and the balance of R12,64,000 is voted.

(f) Of this amount, R16,39,000 is non-voted and the balance of R8,58,98,000 is voted.

(g) Of this amount, R18,55,000 is non-voted and the balance of R9,21,71,000 is voted.

## A.—Statement of the Revenue of the Centra

| HEADS OF REVENUE. | Accounts, 1920-21. | | | Revised Estimate | |
|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. |
| | R | R | R | R | R |
| Brought forward | 93,88,42,243 | 44,54,180 | 94,12,96,423 | 80,62,14,000 | 40,70,000 |
| **Civil Administration—** | | | | | |
| XVII.—Administration of Justice | 3,61,103 | ... | 3,61,103 | 3,42,000 | ... |
| XVIII.—Jails and Convict Settlements | 9,82,970 | ... | 9,82,971 | 10,07,000 | ... |
| XIX.—Police | 12,96,896 | ... | 12,96,895 | 15,22,000 | ... |
| XX.—Ports and Pilotage | 23,75,069 | ... | 23,75,069 | 22,87,000 | ... |
| XXI.—Education | 1,11,917 | ... | 1,11,917 | 1,15,000 | ... |
| XXII.—Medical | 48,429 | 1,560 | 49,989 | 54,000 | 2,000 |
| XXIII.—Public Health | 5,38,767 | ... | 5,38,767 | 3,07,000 | ... |
| XXIV.—Agriculture | 5,29,913 | ... | 5,29,913 | 5,27,000 | ... |
| XXV.—Industries | 24,110 | ... | 24,110 | 1,50,000 | ... |
| XXVI.—Miscellaneous Departments | 10,49,640 | ... | 10,49,640 | 9,01,000 | ... |
| Total | 73,18,814 | 1,560 | 73,20,374 | 72,12,000 | 2,000 |
| **Currency, Mint and Exchange—** | | | | | |
| XXVII.—Currency | 90,54,144 | 1,24,20,320 | 2,14,74,464 | 4,06,33,000 | ... |
| XXVIII.—Mint | 73,46,634 | 1,450 | 73,48,084 | 14,21,000 | 2,000 |
| XXIX.—Exchange | ... | ... | ... | ... | ... |
| Total | 1,64,00,778 | 1,24,21,770 | 2,88,22,548 | 4,20,54,000 | 2,000 |
| **Civil Works—** | | | | | |
| XXX.—Civil works | 11,33,258 | ... | 11,33,258 | 11,46,006 | ... |
| **Miscellaneous—** | | | | | |
| XXXIII.—Receipts in aid of Superannuation | 14,31,251 | 4,09,200 | 18,40,451 | 20,04,000 | 3,93,000 |
| XXXIV.—Stationery and Printing | 9,24,157 | 22,000 | 9,46,157 | 9,16,000 | 17,000 |
| XXXV.—Miscellaneous | 1,72,77,975 | 63,23,470 | 2,36,01,445 | 5,87,83,000 | 64,18,000 |
| Total | 1,96,33,383 | 67,54,670 | 2,63,88,053 | 6,17,03,000 | 68,28,000 |
| **Military Receipts—** | | | | | |
| XXXVI.—Army— | | | | | |
| Effective | 5,07,93,339 | 31,54,950 | 5,39,48,289 | 4,31,34,000 | 92,61,000 |
| Non-effective | 7,01,705 | 4,93,710 | 11,95,415 | 9,23,000 | 1,28,70,000 |
| | 5,14,95,044 | 36,48,660 | 5,51,43,704 | 4,40,57,000 | 2,21,31,000 |
| XXXVII.—Marine | 79,56,768 | ... | 79,56,768 | 46,67,000 | ... |
| XXXVIII.—Military Works | 16,86,464 | ... | 16,86,464 | 15,30,000 | ... |
| Total | 6,11,38,276 | 36,48,660 | 6,47,86,936 | 5,02,54,000 | 2,21,31,000 |
| **Contributions and Assignments to the Central Government by Provincial Governments—** | | | | | |
| XXXIX.—Contributions and Assignments to the Central Government by Provincial Governments | 9,83,00,000 | ... | 9,83,00,000 | 12,80,86,000 | ... |
| XL.—Miscellaneous adjustments between the Central and Provincial Governments | ... | ... | ... | 18,30,000 | ... |
| Total | 9,83,00,000 | ... | 9,83,00,000 | 12,99,16,000 | ... |
| TOTAL REVENUE | 1,14,07,66,752 | 2,72,80,840 | 1,16,80,47,592 | 1,09,84,99,000 | 3,80,33,000 |

## Government, in India and in England—*continued.*

| 1921-22. | Increase (+) Decrease (−) as compared with Budget Estimate, 1921-22. | Budget Estimate, 1922-23. | | | Increase (+) Decrease (−) of Budget, 1922-23, as compared with Budget, 1921-22. | Increase (+) Decrease (−) of Budget, 1922-23, as compared with Revised, 1921-22. |
|---|---|---|---|---|---|---|
| Total. | | India. | England. | Total. | | |
| R | R | R | R | R | R | R |
| **81,02,84,000** | −21,34,52,000 | 1,13,44,94,000 | 17,22,000 | **1,13,62,16,000** | +11,24,80,000 | +32,59,32,000 |
| **3,42,000** | −43,000 | 3,49,000 | ... | **3,49,000** | −36,000 | +7,000 |
| **10,07,000** | −83,000 | 11,11,000 | ... | **11,11,000** | +21,000 | +1,04,000 |
| **15,22,000** | +2,38,000 | 13,63,000 | ... | **13,63,000** | +79,000 | −1,59,000 |
| **22,87,000** | −56,000 | 24,21,000 | ... | **24,21,000** | +78,000 | +1,34,000 |
| **1,15,000** | +3,000 | 1,17,000 | ... | **1,17,000** | +5,000 | +2,000 |
| **56,000** | +26,000 | 48,000 | 2,000 | **50,000** | +20,000 | −6,000 |
| **3,07,000** | −2,90,000 | 3,07,000 | ... | **3,07,000** | −2,10,000 | ... |
| **5,27,000** | +1,52,000 | 6,80,000 | ... | **6,80,000** | +3,05,000 | +1,53,000 |
| **1,50,000** | −2,50,000 | 2,00,000 | ... | **2,00,000** | −2,00,000 | +50,000 |
| **9,01,000** | −1,18,000 | 20,51,000 | ... | **20,51,000** | +10,32,000 | +11,50,000 |
| **72,14,000** | −4,21,000 | 86,47,000 | 2,000 | **86,49,000** | +10,14,000 | +14,37,000 |
| **4,06,33,000** | +4,04,19,000 | 3,03,13,000 | ... | **3,03,13,000** | +3,00,99,000 | −1,03,20,000 |
| **14,23,000** | −33,36,000 | 19,16,000 | 2,000 | **19,18,000** | −28,41,000 | +4,95,000 |
| ... | ... | ... | ... | ... | ... | ... |
| **4,20,56,000** | +3,70,83,000 | 3,22,29,000 | 2,000 | **3,22,31,000** | +2,72,58,000 | −98,25,000 |
| **11,46,000** | +1,08,000 | 10,92,000 | ... | **10,92,000** | +54,000 | −54,000 |
| **23,97,000** | +6,37,000 | 19,02,000 | 3,99,000 | **23,01,000** | +5,41,000 | −96,000 |
| **9,33,000** | +44,000 | 17,24,000 | 17,000 | **17,41,000** | +8,52,000 | +8,08,000 |
| **6,52,01,000** | −74,26,000 | 17,83,000 | 7,86,000 | **25,69,000** | −7,00,58,000 | −6,26,32,000 |
| **6,85,31,000** | −67,45,000 | 54,09,000 | 12,02,000 | **66,11,000** | −6,86,65,000 | −6,19,20,000 |
| **5,23,95,000** | +1,56,03,000 | 4,15,81,000 | 78,35,000 | **4,94,16,000** | +1,26,24,000 | −29,79,000 |
| **1,37,93,000** | +1,24,18,000 | 9,00,000 | 15,45,000 | **24,45,000** | +10,70,000 | −1,13,48,000 |
| **6,61,88,000** | +2,80,21,000 | 4,24,81,000 | 93,80,000 | **5,18,61,000** | +1,36,94,000 | −1,43,27,000 |
| **46,67,000** | +32,54,000 | 20,23,000 | ... | **20,23,000** | +6,10,000 | −26,44,000 |
| **15,30,000** | ... | 15,30,000 | ... | **15,30,000** | ... | ... |
| **7,23,85,000** | +3,12,75,000 | 4,60,34,000 | 93,80,000 | **5,54,14,000** | +1,43,04,000 | −1,69,71,000 |
| **12,80,86,000** | −12,71,000 | 9,20,00,000 | ... | **9,20,00,000** | −3,73,57,000 | −3,60,86,000 |
| **18,30,000** | +18,12,000 | 65,000 | ... | **65,000** | +47,000 | −17,65,000 |
| **12,99,16,000** | +5,41,000 | 9,20,65,000 | ... | **9,20,65,000** | −3,73,10,000 | −3,78,51,000 |
| **1,13,15,32,000** | −15,16,11,000 | 1,31,99,70,000 | 1,23,06,000 | **1,33,22,78,000** | +4,91,35,000 | +20,07,46,000 |

## B.—Statement of the Expenditure charged to the Revenues

| HEADS OF EXPENDITURE. | ACCOUNTS, 1920-21. | | | REVISED ESTIMATE | | |
|---|---|---|---|---|---|---|
| | India. | England. | TOTAL. | India. | England. | TOTAL. |
| | R | R | R | R | R | R |
| **Direct Demands on the Revenues—** | | | | | | |
| 1.—Customs | 58,76,144 | 76,960 | **59,53,104** | 68,78,000 | 1,10,000 | **69,88,000** |
| 2.—Taxes on income | 21,86,350 | 19,720 | **22,06,070** | 21,12,000 | 27,000 | **21,39,000** |
| 3.—Salt | 1,31,45,931 | 61,840 | **1,32,07,771** | 1,58,40,000 | 81,000 | **1,59,21,000** |
| 4.—Opium | 1,23,04,636 | 70,550 | **1,23,75,186** | 1,86,76,000 | 65,000 | **1,87,41,000** |
| 5.—Land Revenue | 20,83,485 | 7,830 | **20,91,315** | 14,83,000 | 21,000 | **15,04,000** |
| 6.—Excise | 2,47,969 | 8,600 | **2,56,569** | 2,48,000 | 4,000 | **2,52,000** |
| 7.—Stamps— | | | | | | |
| A.—Non-judicial | —13,41,536 | 24,65,850 | **11,24,314** | —31,56,000 | 35,90,000 | **4,34,000** |
| B.—Judicial | 2,62,427 | ... | **2,62,427** | 2,70,000 | ... | **2,70,000** |
| 8.—Forests | 30,31,989 | 8,47,000 | **38,78,989** | 36,79,000 | 6,56,000 | **43,35,000** |
| 9.—Registration | 49,462 | ... | **49,462** | 47,000 | ... | **47,000** |
| TOTAL | 3,78,46,857 | 35,58,350 | **4,14,05,207** | 4,60,77,000 | 45,54,000 | **5,06,31,000** |
| **Railway Revenue Account—** | | | | | | |
| 10.—State Railways: | | | | | | |
| Interest on Debt | 9,41,54,057 | 3,77,48,700 | **13,19,02,757** | 11,07,12,000 | 4,20,72,000 | **15,27,84,000** |
| Interest on Capital contributed by Companies | 36,49,216 | 2,11,50,800 | **2,48,00,016** | 1,16,49,000 | 2,16,80,000 | **3,33,29,000** |
| Annuities in purchase of Railways | 54,33,346 | 3,35,73,960 | **3,90,07,306** | 1,70,29,000 | 3,35,71,000 | **5,06,00,000** |
| Sinking Funds | 4,38,526 | 27,09,770 | **31,48,296** | 14,51,000 | 28,74,000 | **43,25,000** |
| 11.—Subsidised Companies | 5,09,993 | ... | **5,09,993** | 7,41,000 | ... | **7,41,000** |
| 12.—Miscellaneous Railway Expenditure | —70,05,547 | 13,89,080 | **—56,16,467** | 4,91,000 | 17,84,000 | **22,75,000** |
| TOTAL | 9,71,79,591 | 9,65,72,310 | **19,37,51,901** | 14,20,73,000 | 10,19,81,000 | **24,40,54,000** |
| **Irrigation, etc., Revenue Account—** | | | | | | |
| 14.—Works for which Capital accounts are kept— | | | | | | |
| Interest on Debt | 9,33,593 | 51,000 | **9,84,593** | 9,39,000 | ... | **9,39,000** |
| 15.—Other Revenue Expenditure | 1,29,667 | ... | **1,29,667** | 1,65,000 | ... | **1,65,000** |
| TOTAL | 10,63,260 | 51,000 | **11,14,260** | 11,04,000 | ... | **11,04,000** |
| **Irrigation, etc., Capital Account (charged to Revenue)—** | | | | | | |
| 16.—Construction of Irrigation, etc., Works— | | | | | | |
| Financed from Ordinary Revenues | 67,469 | ... | **67,469** | 65,000 | 1,82,000 | **2,47,000** |
| **Posts and Telegraphs Revenue Account—** | | | | | | |
| 17.—Posts and Telegraphs— | | | | | | |
| Interest on Debt | ... | ... | ... | 60,00,000 | ... | **60,00,000** |
| Miscellaneous Expenditure | 49,46,296 | 79,56,980 | **1,29,03,276** | —11,94,000 | 85,60,000 | **73,66,000** |
| TOTAL | 49,46,296 | 79,56,980 | **1,29,03,276** | 48,06,000 | 85,60,000 | **1,33,66,000** |
| **Posts and Telegraphs Capital Account (charged to Revenue)—** | | | | | | |
| 18.—Capital outlay on Posts and Telegraphs— | | | | | | |
| Indo-European Telegraph Department | —31,576 | 5,84,670 | **5,53,094** | 1,86,000 | 2,05,000 | **3,91,000** |
| **Debt Services—** | | | | | | |
| 19.—Interest on Ordinary Debt | 17,88,14,392 | 6,61,56,260 | **24,49,70,652** | 18,95,50,000 | 7,23,95,000 | **26,19,45,000** |
| *Deduct*—Amount chargeable to Railways | *8,80,51,408* | *3,77,48,700* | ***12,58,00,108*** | *9,02,39,000* | *4,20,72,000* | ***13,23,11,000*** |
| „ Amount chargeable to Irrigation | *9,25,348* | *51,000* | ***9,76,348*** | *9,39,000* | ... | ***9,39,000*** |
| „ Amount chargeable to Posts and Telegraphs | ... | ... | ... | *60,00,000* | ... | ***60,00,000*** |
| „ Amount chargeable to Provincial Governments | ... | ... | ... | *2,65,32,000* | ... | ***2,65,32,000*** |
| Remainder chargeable to Ordinary Debt | 8,98,37,636 | 2,83,56,560 | **11,81,94,196** | 6,58,40,000 | 3,03,23,000 | **9,61,63,000** |
| 20.—Interest on other Obligations | 2,15,49,435 | ... | **2,15,49,435** | 2,61,71,000 | ... | **2,61,71,000** |
| 21.—Sinking Funds | 73,00,000 | 50,00,000 | **1,23,00,000** | 1,54,00,000 | 50,00,000 | **2,04,00,000** |
| TOTAL | 11,86,87,071 | 3,33,56,560 | **15,20,43,631** | 10,74,11,000 | 3,53,23,000 | **14,27,34,000** |
| Carried over | 25,97,58,968 | 14,20,79,870 | **40,18,38,838** | 30,17,22,000 | 15,08,05,006 | **45,25,27,000** |

**of the Central Government, in India and in England.**

| 1921-22. | | | BUDGET ESTIMATE, 1922-23. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Increase (+) Decrease (—) as compared with Budget, 1921-22. | Distribution of Total between | | India. | England. | Total. | Increase (+) Decrease (—) as compared with Budget, 1921-22. | Increase (+) Decrease (—) as compared with Revised, 1921-22. | Distribution of Total between | |
| | Voted. | Non-voted. | | | | | | Voted. | Non-voted. |
| R | R | R | R | R | R | R | R | R | R |
| —1,77,000 | 62,94,000 | 6,94,000 | 67,06,000 | 1,09,000 | **68,15,000** | —3,50,000 | —1,73,000 | 60,84,000 | 7,31,000 |
| —8,66,000 | 19,49,000 | 1,90,000 | 46,02,000 | 66,000 | **46,68,000** | +16,33,000 | +25,29,000 | 43,28,000 | 3,40,000 |
| —10,000 | 1,21,36,000 | 37,85,000 | 1,72,58,000 | 71,000 | **1,73,29,000** | +13,98,000 | +14,08,000 | 1,33,34,000 | 39,95,000 |
| +34,87,000 | 1,85,72,000 | 1,69,000 | 1,85,56,000 | 65,000 | **1,86,21,000** | +33,67,000 | —1,20,000 | 1,84,54,000 | 1,67,000 |
| —7,38,000 | 14,12,000 | 92,000 | 15,34,000 | 20,000 | **15,54,000** | —6,88,000 | +50,000 | 14,57,000 | 97,000 |
| +8,000 | 1,79,000 | 73,000 | 2,83,000 | 1,000 | **2,84,000** | +40,000 | +32,000 | 2,08,000 | 76,000 |
| —7,51,000 | 7,04,000 | ... | —10,64,000 | 19,40,000 | **8,76,000** | —3,09,000 | +4,42,000 | 11,86,000 | ... |
| —39,000 | | | 3,10,000 | ... | **3,10,000** | +1,000 | +40,000 | | |
| +3,98,000 | 38,71,000 | 4,64,000 | 39,91,000 | 8,36,000 | **48,27,000** | +8,90,000 | +4,92,000 | 42,41,000 | 5,86,000 |
| —2,000 | 47,000 | ... | 48,000 | ... | **48,000** | —1,000 | +1,000 | 48,000 | ... |
| +12,80,000 | 4,51,64,000 | 54,67,000 | 5,22,24,000 | 31,08,000 | **5,53,32,000** | +59,81,000 | +47,01,000 | 4,93,40,000 | 59,92,000 |
| —52,87,000 | 2,04,73,000 | 13,23,11,000 | 12,27,06,000 | 4,42,68,000 | **16,69,74,000** | +89,03,000 | +1,41,90,000 | 2,13,13,000 | 14,56,61,000 |
| +67,96,000 | 1,12,93,000 | 2,20,36,000 | 1,15,11,000 | 2,21,37,000 | **3,36,48,000** | +71,15,000 | +3,19,000 | 1,11,06,000 | 2,25,42,000 |
| +1,03,10,000 | 1,70,29,000 | 3,35,71,000 | 1,67,87,000 | 3,35,75,000 | **5,03,62,000** | +1,00 72,000 | —2,38,000 | 1,67,87,000 | 3,35,75,000 |
| +8,53,000 | 14,51,000 | 28,74,000 | 15,28,000 | 30,54,000 | **45,82,000** | +11,09,000 | +2,57,000 | 15,28,000 | 30,54,000 |
| +1,41,000 | 7,41,000 | ... | 19,83,000 | ... | **19,83,000** | +13,83,000 | +12,42,000 | 19,83,000 | ... |
| —4,71,000 | 9,33,000 | 13,42,000 | 6,19,000 | 16,85,000 | **23,04,000** | —4,42,000 | +29,000 | 9,48,000 | 13,56,000 |
| +1,23,41,000 | 5,19,20,000 | 19,21,34,000 | 15,51,34,000 | 10,47,19,000 | **25,98,53,000** | +2,51,40,000 | +1,57,99,000 | 5,36,65,000 | 20,61,88,000 |
| —46,000 | ... | 9,39,000 | 9,51,000 | ... | **9,51,000** | —34,000 | +12,000 | ... | 9,51,000 |
| +26,000 | 1,65,000 | ... | 1,33,000 | ... | **1,33,000** | —6,000 | —32,000 | 1,33,000 | ... |
| —20,000 | 1,65,000 | 9,39,000 | 10,84,000 | ... | **10,84,000** | —40,000 | —20,000 | 1,33,000 | 9,51,000 |
| +1,87,000 | 2,06,000 | 41,000 | 35,000 | ... | **35,000** | —25,000 | —2,12,000 | 35,000 | ... |
| +60,00,000 | ... | 60,00,000 | 66,00,000 | ... | **66,00,000** | +66,00,000 | +6,00,000 | ... | 66,00,000 |
| +73,66,000 | 73,66 000 | ... | —31,84,000 | 63,45,000 | **31,61,000** | +31,61,000 | —42,05,000 | 31,61,000 | ... |
| +1,33,66,000 | 73,66,000 | 60,00,000 | 34,16,000 | 63,45,000 | **97,61,000** | +97,61,000 | —36,05,000 | 31,61,000 | 66,00,000 |
| —94,11,000 | 3,91,000 | ... | —3,64,000 | 3,35,000 | **—29,000** | —98,31,000 | —4,20,000 | —29,000 | ... |
| +2,32,38,000 | ... | ... | 19,94,50,000 | 8,29,81,000 | **28,24,31,000** | +4,37,24,000 | +2,04,86,000 | ... | ... |
| +1,80,27,000 | ... | ... | *10,13,93,000* | *4,42,68,000* | ***14,56,61,000*** | +46,77,000 | —1,33,50,000 | ... | ... |
| +46,000 | ... | ... | *9,51,000* | ... | ***9,51,000*** | +34,000 | —12,000 | ... | ... |
| —60,00,000 | ... | ... | *66,00,000* | ... | ***66,00,000*** | —66,00,000 | —6,00,000 | ... | ... |
| —2,65,32,000 | ... | ... | *2,99,73,000* | ... | ***2,99,73,000*** | —2,99,73,000 | —34,41,000 | ... | ... |
| +87,79,000 | ... | 9,61,63,000 | 6,05,33,000 | 3,87,13,000 | **9,92,46,000** | +1,18,62,000 | +30,83,000 | ... | 9,92,46,000 |
| +30,94,000 | 2,61,71,000 | ... | 3,23,63,000 | ... | **3,23,63,000** | +92,86,000 | +61,92,000 | 3,23,63,000 | ... |
| ... | ... | 2,04,00,000 | 1,54,00,000 | 50,00,000 | **2,04,00,000** | ... | ... | ... | 2,04,00,000 |
| +1,18,73,000 | 2,61,71,000 | 11,65,63,000 | 10,82,96,000 | 4,37,13,000 | **15,20,09,000** | +2,11,48,000 | +92,75,000 | 3,23,63,000 | 11,96,46,000 |
| +2,96,16,000 | 13,13,83,000 | 32,11,44,000 | 31,98,25,000 | 15,82,20,000 | **47,80,45,000** | +5,51,34,000 | +2,55,18,000 | 13,86,68,000 | 33,93,77,000 |

## B.—Statement of the Expenditure charged to the Revenues

| HEADS OF EXPENDITURE. | ACCOUNTS, 1920-21. | | | REVISED ESTIMATE | | |
|---|---|---|---|---|---|---|
| | India. | England. | TOTAL. | India. | England. | TOTAL. |
| | R | R | R | R | R | R |
| Brought forward | 25,97,58,968 | 14,20,79,870 | **40,18,38,838** | 30,17,22,000 | 15,08,05,000 | **45,25,27,000** |
| **Civil Administration—** | | | | | | |
| 22.—General Administration— | | | | | | |
| A.—Heads of Provinces (including Governor General) and Executive Councils | 20,13,520 | ... | **20,13,520** | 20,10,000 | ... | **20,10,000** |
| B.—Legislative Bodies | 1,84,813 | ... | **1,84,813** | 7,00,000 | ... | **7,00,000** |
| C.—Secretariat and headquarters establishment | 77,45,273 | ... | **77,45,273** | 78,80,000 | ... | **78,80,000** |
| D.—Commissioners | ... | ... | ... | ... | ... | ... |
| E.—District Administration | ... | ... | ... | 15,41,000 | ... | **15,41,000** |
| F.—Home Administration, etc. | ... | 62,82,430 | **62,82,490** | ... | 45,94,000 | **45,94,000** |
| 23.—Audit | 52,31,825 | 2,77,830 | **55,09,655** | 68,00,000 | 3,06,000 | **71,06,000** |
| 24.—Administration of Justice | 14,84,813 | 20,360 | **15,05,163** | 8,57,000 | 48,000 | **9,05,000** |
| 25.—Jails and Convict Settlements | 41,53,003 | 26,080 | **41,79,083** | 44,95,000 | 22,000 | **45,17,000** |
| 26.—Police | 73,25,835 | 53,900 | **73,79,735** | 85,61,000 | 1,09,000 | **86,70,000** |
| 27.—Ports and Pilotage | 19,71,176 | 1,82,400 | **21,53,576** | 22,17,000 | 1,81,000 | **23,98,000** |
| 28.—Ecclesiastical | 25,34,735 | 2,63,930 | **27,98,665** | 26,82,000 | 2,86,000 | **29,68,000** |
| 29.—Political | 3,33,07,498 | 9,80,370 | **3,42,87,868** | 1,98,87,000 | 10,72,000 | **2,09,59,000** |
| 30.—Scientific Departments | 54,14,125 | 12,55,250 | **66,69,375** | 99,20,000 | 11,75,000 | **1,10,95,000** |
| 31.—Education | 27,19,769 | 2,29,530 | **29,49,299** | 29,73,000 | 91,000 | **30,64,000** |
| 32.—Medical | 19,03,254 | 54,830 | **19,57,084** | 24,04,000 | 2,31,000 | **26,35,000** |
| 33.—Public Health | 25,45,400 | 11,360 | **25,56,760** | 15,33,000 | 54,000 | **15,87,000** |
| 34.—Agriculture | 21,76,768 | 61,860 | **22,38,628** | 19,65,000 | 1,25,000 | **20,90,000** |
| 35.—Industries | 5,34,605 | 46,630 | **5,81,235** | 3,13,000 | 83,000 | **3,96,000** |
| 36.—Aviation | 3,18,258 | ... | **3,18,258** | 1,81,000 | 2,000 | **1,83,000** |
| 37.—Miscellaneous Departments | 20,95,473 | 28,870 | **21,24,343** | 40,83,000 | 1,85,000 | **42,68,000** |
| TOTAL | 8,36,60,133 | 97,74,690 | **9,34,34,823** | 8,10,02,000 | 85,64,000 | **8,95,66,000** |
| **Currency, Mint and Exchange—** | | | | | | |
| 38.—Currency | 36,50,620 | 47,72,770 | **84,23,390** | 29,26,000 | 42,01,000 | **71,27,000** |
| 39.—Mint | 18,99,803 | 6,86,520 | **25,86,323** | 17,88,000 | 66,000 | **18,54,000** |
| 40.—Exchange | 3,23,39,526 | ... | **3,23,39,526** | 8,49,92,000 | ... | **8,49,92,000** |
| TOTAL | 3,78,89,949 | 54,59,290 | **4,33,49,239** | 8,97,06,000 | 42,67,000 | **9,39,73,000** |
| **Civil Works—** | | | | | | |
| 41.—Civil Works | 1,92,97,880 | 2,58,830 | **1,95,56,710** | 1,48,54,000 | 4,23,000 | **1,52,77,000** |
| **Miscellaneous—** | | | | | | |
| 43.—Famine Relief and Insurance— | | | | | | |
| A.—Famine Relief | .... | ... | ... | 4,50,000 | ... | **4,50,000** |
| 44.—Territorial and Political Pensions | 27,34,064 | 1,07,030 | **28,41,094** | 28,95,000 | 1,16,000 | **30,11,000** |
| 45.—Superannuation Allowances and Pensions | 24,31,633 | 2,07,96,960 | **2,32,28,593** | 29,91,000 | 2,13,16,000 | **2,43,07,000** |
| 46.—Stationery and Printing | 59,17,435 | 19,98,520 | **79,15,955** | 63,04,000 | 23 09,000 | **86,13,000** |
| 47.—Miscellaneous | 93,19,805 | 6,71,670 | **99,91,475** | 62,67,000 | 23,52 000 | **86.19,000** |
| TOTAL | 2,04,02,937 | 2,35,74,180 | **4,39,77,117** | 1,89,07,000 | 2,60,93,000 | **4,50,00,000** |
| **Military Services—** | | | | | | |
| 48.—Army— | | | | | | |
| Effective | 67,88,98,151 | 7,73,32,370 | **75,62,30,521** | 50,10 64,000 | 8,40.68,000 | **58,51,32,000** |
| Non-effective | 2,48,11,966 | 3,18,61,450 | **5,66,73,416** | 3,15,66 000 | 3,85 95 000 | **6,49,61,000** |
| | 70,37,10,117 | 10,91,93,820 | **81,29,03,937** | 53,26,30,000 | 11,76,63,000 | **65,00,93,000** |
| 49.—Marine | 83,20,180 | 57,34,880 | **1,40,55,060** | 91,64,000 | 39,29,000 | **1,30,93,000** |
| 50.—Military Works | 5,40,92,695 | 12,72,560 | **5,53,65,255** | 5,09.80,000 | 13.05.000 | **5,22,85,000** |
| TOTAL | 76,61,22,992 | 11,62,01,260 | **88,23,24,252** | 59,25,74 000 | 12,28,97,000 | **71,54,71,000** |
| **Contributions and Assignments to the Central Government by Provincial Governments—** | | | | | | |
| 52.—Miscellaneous adjustments between the Central and Provincial Governments | 63,24,000 | ... | **63,24,000** | 76,38,000 | ... | **76,38,000** |
| TOTAL EXPENDITURE CHARGED TO REVENUE | 1,19,34,56,859 | 29,73,48,120 | **1,49,08,04,979** | 1,10,64,03,000 | 31,30,49,000 | **1,41,94,52,000** |

**of the Central Government in India and in England—*continued.***

| 1921-22. | | | BUDGET ESTIMATE, 1922-23. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Increase (+) Decrease (—) as compared with Budget, 1921-22. | Distribution of Total between | | India. | England. | Total. | Increase (+) Decrease (—) as compared with Budget, 1921-22. | Increase (+) Decrease (—) as compared with Revised, 1921-22. | Distribution of Total between | |
| | Voted. | Non-voted. | | | | | | Voted. | Non-voted. |
| R | R | R | R | R | R | R | R | R | R |
| +2,96,16,000 | 13,13,83,000 | 32,11,44,000 | 31,98,25,000 | 15,82,20,000 | **47,80,45,000** | +5,51,34,000 | +2,55,18,000 | 13,86,68,000 | 33,93,77,000 |
| | | | | | | | | | |
| —1,67,000 | | | 20,49,000 | ... | **20,49,000** | —1,28,000 | +39,000 | | |
| —85,000 | | | 8,50,000 | ... | **8,50,000** | +65,000 | +1,50,000 | | |
| +4,56,000 | 1,07,43,000 | 59,82,000 | 80,31,000 | ... | **80,31,000** | +6,07,000 | +1,51,000 | 1,12,67,000 | 59,68,000 |
| —52,000 | | | ... | ... | ... | —52,000 | ... | | |
| +15,41,000 | | | 16,14,000 | ... | **16,14,000** | +16,14,000 | +73,000 | | |
| +6,57,000 | | | ... | 46,91,000 | **46,91,000** | +7,54,000 | +97,000 | | |
| +6,41,000 | 64,17,000 | 6,89,000 | 78,96,000 | 2,80,000 | **81,76,000** | +17,11,000 | +10,70,000 | 72,69,000 | 9,07,000 |
| —5,97,000 | 6,68,000 | 2,37,000 | 9,49,000 | 53,000 | **10,02,000** | —5,00,000 | +97,000 | 7,47,000 | 2,55,000 |
| +7,06,000 | 43,50,000 | 1,67,000 | 43,99,000 | 24,000 | **44,23,000** | +6,12,000 | —94,000 | 42,16,000 | 2,07,000 |
| +8,06,000 | 80,20,000 | 6,50,000 | 79,97,000 | 1,29,000 | **81,26,000** | +2,62,000 | —5,44,000 | 73,84,000 | 7,42,000 |
| —71,000 | 11,81,000 | 12,17,000 | 23,61,000 | 2,47,000 | **25,08,000** | +39,000 | +1,10,000 | 11,58,000 | 13,50,000 |
| —1,37,000 | ... | 29,68,000 | 29,60,000 | 2,82,000 | **32,42,000** | +1,37,000 | +2,74,000 | ... | 32,42,000 |
| —4,000 | ... | 2,09,59,000 | 2,80,69,000 | 8,30,000 | **2,88,99,000** | +79,36,000 | +79,40,000 | ... | 2,88,99,000 |
| +27,48,000 | 92,89,000 | 18,03,000 | 99,93,000 | 8,25,000 | **1,08,18,000** | +24,71,000 | —2,77,000 | 87,21,000 | 20,97,000 |
| —2,62,000 | 29,12,000 | 1,52,000 | 31,58,000 | 92,000 | **32,50,000** | —76,000 | +1,86,000 | 30,60,000 | 1,90,000 |
| —2,27,000 | 21,01,000 | 5,34,000 | 27,26,000 | 3,72,000 | **30,98,000** | +2,36,000 | +4,63,000 | 23,98,000 | 7,00,000 |
| +89,000 | 13,80,000 | 2,07,000 | 15,36,000 | 64,000 | **16,00,000** | +1,02,000 | +13,000 | 13,79,000 | 2,21,000 |
| +1,66,000 | 17,43,000 | 3,47,000 | 21,35,000 | 1,34,000 | **22,69,000** | +3,45,000 | +1,79,000 | 17,79,000 | 4,90,000 |
| —3,09,000 | 8,49,000 | 47,000 | 1,13,000 | 31,000 | **1,44,000** | —5,61,000 | —2,52,000 | 84,000 | 60,000 |
| +1,08,000 | 1,70,000 | 13,000 | 48,000 | ... | **48,000** | —27,000 | —1,35,000 | 34,000 | 14,000 |
| —7,59,000 | 87,63,000 | 5,05,000 | 23,61,000 | 2,07,000 | **25,68,000** | —24,59,000 | —17,00,000 | 19,76,000 | 5,92,000 |
| +52,48,000 | 5,30,86,000 | 3,64,80,000 | 8,91,45,000 | 82,61,000 | **9,74,06,000** | +1,80,88,000 | +78,40,000 | 5,14,72,000 | 4,59,34,000 |
| +6,27,000 | 69,65,000 | 1,62,000 | 31,27,000 | 33,03,000 | **64,30,000** | —70,000 | —6,97,000 | 62,12,000 | 2,18,000 |
| —6,72,000 | 16,76,000 | 1,78,000 | 21,08,000 | 84,000 | **21,92,000** | —3,34,000 | +3,38,000 | 20,00,000 | 1,92,000 |
| +5,21,58,000 | 8,49,92,000 | ... | 9,95,50,000 | ... | **9,95,50,000** | +6,66,96,000 | +1,45,58,000 | 9,95,50,000 | ... |
| +5,20,93,000 | 9,36,23,000 | 3,40,000 | 10,47,85,000 | 33,87,000 | **10,81,72,000** | +6,62,92,000 | +1,41,99,000 | 10,77,62,000 | 4,10,000 |
| +1,74,000 | 1,59,47,000 | 2,30,000 | 1,60,72,000 | 77,000 | **1,61,49,000** | +10,46,000 | +8,72,000 | 1,59,44,000 | 2,05,000 |
| +4,30,000 | 4,50,000 | ... | 27,000 | ... | **27,000** | +7,000 | —4,23,000 | 27,000 | ... |
| +22,000 | ... | 30,11,000 | 29,68,000 | 1,16,000 | **30,84,000** | +95,000 | +73,000 | ... | 30,84,000 |
| +3,74,000 | 30,63,000 | 2,12,39,000 | 33,22,000 | 2,14,03,000 | **2,47,25,000** | +7,92,000 | +4,18,000 | 34,56,000 | 2,12,69,000 |
| +16,04,000 | 86,03,000 | 4,000 | 47,95,000 | 18,41,000 | **66,36,000** | —3,73,000 | —19,77,000 | 66,24,000 | 12,000 |
| +1,33,000 | 55,17,000 | 30,02,000 | 45,61,000 | 15,58,000 | **61,19,000** | —23,67,000 | —25,05,000 | 31,14,000 | 30,05,000 |
| +25,53,000 | 1,77,44,000 | 2,72,56,000 | 1,56,73,000 | 2,49,18,000 | **4,05,91,000** | —18,46,000 | —44,09,000 | 1,32,21,000 | 2,73,70,000 |
| +3,93,57,000 | ... | 58,51,32,000 | 46,47,31,000 | 7,81,69,000 | **54,29,00,000** | —28,75,000 | —4,22,32,000 | ... | 54,29,00,000 |
| +75,65,000 | ... | 6,49,61,000 | 3,66,06,000 | 3,75,27,000 | **7,41,33,000** | +1,67,37,000 | +91,72,000 | ... | 7,41,33,000 |
| +4,69,22,000 | ... | 65,00,93,000 | 50,13,37,000 | 11,56,96,000 | **61,70,33,000** | +1,38,62,000 | —3,30,60,000 | ... | 61,70,33,000 |
| +31,54,000 | ... | 1,30,93,000 | 87,44,000 | 46,52,000 | **1,33,96,000** | +34,57,000 | +3,03,000 | ... | 1,33,96,000 |
| +24,85,000 | ... | 5,22,85,000 | 4,63,00,000 | 4,85,000 | **4,67,85,000** | —32,15,000 | —55,00,000 | ... | 4,67,85,000 |
| +5,23,61,000 | ... | 71,54,71,000 | 55,63,81,000 | 12,08,33,000 | **67,72,14,000** | +1,41,04,000 | —3,82,57,000 | ... | 67,72,14,000 |
| +13,54,000 | 76,38,000 | ... | 63,29,000 | ... | **63,29,000** | +45,000 | —13,09,000 | 63,29,000 | ... |
| +14,34,09,000 | 31,85,31,000 | 1,10,09,21,000 | 1,10,82,10,000 | 31,56,96,000 | **1,42,39,06,000** | +14,78,63,000 | +44,54,000 | 33,33,96,000 | 1,09,05,10,000 |

## C.—Statement of Receipts and Disbursements of the

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | R | R | R | R | R | R | R | R | R |
| Revenue (from Statement A for Revised and Budget (a) | 2,03,39,35,714 | 2,76,42,592 | 2,06,15,78,306 | 1,09,84,99,000 | 3,30,33,000 | 1,13,15,32,000 | 1,31,99,70,000 | 1,23,08,000 | 1,33,22,78,000 |
| **Excess of Revenue over Expenditure charged to Revenue** | | | —26,00,35,276 | ... | ... | —23,79,20,000 | ... | ... | —9,16,23,000 |
| **Railway Capital not charged to Revenue—** | | | | | | | | | |
| Capital contributed by Railway Companies and Indian States towards outlay on State Railways | ... | ... | ... | 19,65,000 | 45,00,000 | 64,65,000 | 8,75,000 | 3,77,99,000 | 3,86,74,000 |
| **Permanent Debt Incurred—** | | | | | | | | | |
| *Sterling Debt—* | | | | | | | | | |
| New Sterling Loan | ... | ... | | ... | ... | | ... | 16,03,00,000 | |
| 7 per cent. Stock | ... | ... | | ... | 7,50,00,000 | | ... | ... | |
| 5½ per cent. Stock | ... | ... | | ... | 7,10,00,000 | | ... | 2,29,82,000 | |
| *Rupee Debt –* | | | | | | | | | |
| New Rupee Loan | ... | ... | | ... | ... | | 25,00,00,000 | ... | |
| 6 per cent. Bonds, 1931 | ... | ... | | 11,80,77,000 | ... | | ... | ... | |
| 6 per cent. Bonds, 1930 | 29,35,34,700 | ... | | —7,08,000 | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1925 | 6,763 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1928 | 3,071 | ... | | ... | ... | | ... | ... | |
| 5 per cent. War Loan, 1929-47 | ... | ... | | 12,000 | ... | | ... | ... | |
| 5 per cent. Loan, 1945—55 | 40,38,100 | ... | | ... | ... | | ... | ... | |
| 3½ per cent. Loans | ... | ... | | 3,00,000 | ... | | 3,00,000 | ... | |
| Total | 29,75,82,634 | ... | 29,75,82,634 | 11,26,81,000 | 14,60,00,000 | 25,86,81,000 | 25,03,00,000 | 18,32,82,000 | 43,35,82,000 |
| Net | | | 23,30,14,560 | | | 23,91,08,000 | | | 41,21,93,000 |
| **Temporary Debt Incurred—** | | | | | | | | | |
| 6 per cent. Bonds, 1926 | ... | ... | | 37,89,47,000 | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1920 | —230 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1921 | —1,892 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1922 | —1,200 | ... | | ... | ... | | ... | ... | |
| 5½ per cent. War Bonds, 1923 | 2,050 | ... | | ... | ... | | ... | ... | |
| Treasury Bills— | | | | | | | | | |
| Issued to public | 77,93,45,000 | ... | | 1,30,59,00,000 | ... | | 1,24,00,00,000 | ... | |
| Issued to Paper Currency Reserve | 61,26,00,000 | ... | | 62,95,00,000 | ... | | 43,06,54,000 | ... | |
| Other Temporary Loans | 3,00,00,000 | ... | | 15,00,00,000 | ... | | ... | ... | |
| Total | 1,42,19,43,728 | ... | 1,42,19,43,728 | 2,46,43,47,000 | ... | 2,46,43,47,000 | 1,67,06,54,000 | ... | 1,67,06,54,000 |
| Net | | | 24,03,92,938 | | | 25,08,16,000 | | | 0 |
| **Unfunded Debt—** | | | | | | | | | |
| Post Office Cash Certificates | 52,09,056 | ... | | 48,34,000 | ... | | 1,00,00,000 | ... | |
| Deposits of Service Funds | 14,48,976 | 12,265 | | 14,64,000 | ... | | 14,63,000 | ... | |
| Savings Bank Deposits | 23,63,46,998 | ... | | 26,06,06,000 | ... | | 25,07,71,000 | ... | |
| Total | 24,30,05,030 | 12,265 | 24,30,17,295 | 26,69,04,000 | ... | 26,69,04,000 | 26,22,34,000 | ... | 26,22,34,000 |
| Net | | | 2,96,60,125 | | | 4,44,75,000 | | | 3,07,15,000 |
| **Deposits and Advances—** | | | | | | | | | |
| Appropriation for reduction of debt | 64,26,110 | ... | | ... | ... | | ... | ... | |
| Deposits of Local Funds— | | | | | | | | | |
| District Funds | 10,60,73,597 | ... | | 11,81,73,000 | ... | | 12,56,71,000 | ... | |
| Other Funds | 2,34,75,721 | ... | | 7,98,20,000 | ... | | 7,93,55,000 | ... | |
| Deposits of Branch Lines Companies | 6,39,262 | ... | | 14,55,000 | ... | | 24,80,000 | ... | |
| Sinking Funds for Central Loans | 73,00,000 | ... | | 1,54,00,000 | ... | | 1,54,00,000 | ... | |
| Other Sinking Fund Deposits | 2,89,166 | ... | | 3,01,000 | ... | | 3,13,000 | ... | |
| Gold Standard Reserve | ... | 1,18,69,06,845 | | ... | 94,18,83,000 | | ... | 1,20,83,42,000 | |
| Paper Currency Reserve | ... | 1,05,86,73,113 | | 3,37,00,000 | 37,10,32,000 | | 11,14,00,000 | 5,84,68,000 | |
| Consols Depreciation Fund | ... | 35,20,191 | | ... | ... | | ... | ... | |
| Departmental and Judicial Deposits | 87,44,05,035 | ... | | 74,20,88,000 | ... | | 71,34,05,000 | ... | |
| Advances | 17,67,55,787 | 2,13,59,544 | | 19,59,88,000 | 2,46,01,000 | | 17,70,15,000 | 83,06,000 | |
| Suspense Accounts | 28,78,53,872 | ... | | 3,89,73,000 | ... | | 5,99,000 | ... | |
| Exchange on Remittance Account | ... | ... | | 11,87,97,000 | ... | | 11,56,99,000 | ... | |
| Miscellaneous | 1,14,16,736 | 1,70,28,222 | | 5,17,55,000 | 96,34,000 | | 13,13,29,000 | 1,05,99,000 | |
| Total | 1,49,46,35,286 | 12,28,74,89,915 | 3,78,21,25,201 | 1,39,64,50,000 | 1,34,71,50,000 | 2,74,36,00,000 | 1,47,26,76,000 | 1,28,57,15,000 | 2,75,83,91,000 |
| Net | | | 0 | | | 14,25,50,000 | | | 24,76,67,000 |
| Carried over | 5,49,11,02,392 | 2,31,51,44,772 | | 5,34,08,46,000 | 1,53,06,83,000 | | 4,97,67,09,000 | 1,51,91,04,000 | |

(a) The figures of revenue and expenditure in the column 'Accounts 1920-21' are those in the published accounts and differ from the figures shown in Statements I, A and B—*vide* footnote (a) to Statement I.

## Central Government, in India and in England.

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | R | R | R | R | R | R | R | R | R |
| Expenditure (from Statement B for Revised and Budget (*a*) | 2,00,31,18,395 | 30,96,45,093 | 2,31,27,63,488 | 1,10,64,03,000 | 31,30,49,000 | 1,41,94,52,000 | 1,10,82,10,000 | 31,56,96,000 | 1,42,39,06,000 |
| *Add*—Provincial Surpluses transferred to "Deposits" | 7,66,34,510 | ... | 7,66,34,510 | | | | | | |
| *Deduct*—Provincial Deficits charged to "Deposits" | *6,77,34,416* | ... | *6,77,34,416* | | | | | | |
| Total | 2,01,20,18,489 | 30,96,45,093 | 2,32,16,63,582 | 1,10,64,03,000 | 31,30,49,000 | 1,41,94,52,000 | 1,10,82,10,000 | 31,56,96,000 | 1,42,39,06,000 |
| **Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue—** | | | | | | | | | |
| Construction of State Railways | 8,30,66,137 | 17,58,22,774 | 25,88,88,911 | 9,94,40,000 | 13,73,19,000 | 23,67,59,000 | 11,54,00,000 | 18,46,00,000 | (*b*) 30,00,00,000 |
| Payments for discharge of debentures | 7,96,214 | 49,20,000 | 57,16,214 | ... | 5,00,000 | 5,00,000 | ... | 3,60,49,000 | 3,60,49,000 |
| Construction of Irrigation Works | 65,32,832 | 1,50,363 | 66,83,195 | 3,35,000 | 2,85,000 | 6,20,000 | 2,69,000 | ... | (*c*) 2,69,000 |
| Capital outlay on Indian Postal and Telegraph Department | ... | ... | ... | 1,28,06,000 | ... | 1,28,06,000 | 1,45,00,000 | ... | (*c*) 1,45,00,000 |
| Initial expenditure on new Capital at Delhi | 1,05,18,545 | 20,56,466 | 1,25,75,011 | 1,22,95,000 | 17,15,000 | 1,40,10,000 | 1,81,90,000 | 18,10,000 | (*d*) 2,00,00,000 |
| **Permanent Debt Discharged—** | | | | | | | | | |
| *Rupee Debt*— | | | | | | | | | |
| 5½ p. c. War Bonds, 1925 | 1,87,000 | ... | | ... | ... | | ... | ... | |
| Do. Do. 1928 | 22,49,500 | ... | | ... | ... | | ... | ... | |
| 5 p. c. War Loan, 1929-47 | 40,93,900 | ... | | 64,86,000 | ... | | 1,14,41,000 | ... | |
| 5 p. c. Loan, 1945-55 | 67,49,100 | ... | | 1,15,13,000 | ... | | 83,90,000 | ... | |
| 4 p. c. Loans | 12,00,300 | ... | | 12,00,000 | ... | | 12,00,000 | ... | |
| 3½ p. c. Loans | 6,174 | ... | | 24,000 | ... | | 8,000 | ... | |
| 3 p. c. Loans | 82,100 | ... | | 3,50,000 | ... | | 3,50,000 | ... | |
| Total | 1,45,68,074 | ... | 1,45,68,074 | 1,95,73,000 | ... | 1,95,73,000 | 2,13,89,000 | ... | 2,13,89,000 |
| Net | | | 0 | | | 0 | | | 0 |
| **Temporary Debt Discharged—** | | | | | | | | | |
| 5½ p. c. War Bonds, 1920 | 18,50,11,640 | ... | | 45,00,000 | ... | | 10,00,000 | ... | |
| Do. Do. 1921 | 9,35,83,550 | ... | | 15,10,00,000 | ... | | 20,00,000 | ... | |
| Do. Do. 1922 | 4,73,825 | ... | | 3,56,81,000 | ... | | 7,50,00,000 | ... | |
| Do. Do. 1923 | 46,775 | ... | | ... | ... | | ... | ... | |
| Treasury Bills— | | | | | | | | | |
| Issued to public | 77,15,35,000 | ... | | 1,20,92,00,000 | ... | | 1,35,00,00,000 | ... | |
| Do. Paper Currency Reserve | 10,09,00,000 | ... | | 66,32,00,000 | ... | | 54,21,00,000 | ... | |
| Other Temporary Loans | 3,00,00,000 | ... | | 15,00,00,000 | ... | | ... | ... | |
| Total | 1,18,15,50,790 | ... | 1,18,15,50,790 | 2,21,35,31,000 | ... | 2,21,35,31,000 | 1,97,01,00,000 | ... | 1,97,01,00,000 |
| Net | | | 0 | | | 0 | | | 23,94,46,000 |
| **Unfunded Debt—** | | | | | | | | | |
| Post Office Cash Certificates | 1,49,61,657 | ... | | 91,78,000 | ... | | 3,00,00,000 | ... | |
| Special Loans | 4,573 | ... | | 5,000 | ... | | 5,000 | ... | |
| Deposits of Service Funds | 15,00,619 | 5,604 | | 15,08,000 | ... | | 16,00,000 | ... | |
| Savings Bank Deposits | 19,74,84,717 | ... | | 21,17,38,000 | ... | | 19,99,14,000 | ... | |
| Total | 21,39,51,566 | 5,604 | 21,39,57,170 | 22,24,29,000 | ... | 22,24,29,000 | 23,15,19,000 | ... | 23,15,19,000 |
| Net | | | 0 | | | 0 | | | 0 |
| **Deposits and Advances—** | | | | | | | | | |
| Deposits of Local Funds— | | | | | | | | | |
| District Funds | 10,92,81,502 | ... | | 12,77,36,000 | ... | | 12,96,20,000 | ... | |
| Other Funds | 2,19,06,210 | ... | | 8,25,35,000 | ... | | 8,07,97,000 | ... | |
| Deposits of Branch Line Companies | 9,04,272 | ... | | 14,96,000 | ... | | 24,98,000 | ... | |
| Sinking Funds for Central Loans | 1,07,65,545 | ... | | 1,36,75,000 | ... | | 1,70,24,000 | ... | |
| Gold Standard Reserve | ... | 1,18,68,65,528 | | ... | 94,18,83,000 | | ... | 1,20,83,42,000 | |
| Paper Currency Reserve | ... | 1,05,86,73,113 | | 3,37,00,000 | 37,10,32,000 | | 11,14,00,000 | 5,84,68,000 | |
| Consols Depreciation Fund | ... | 35,21,857 | | ... | ... | | ... | ... | |
| Adjustment of exchange on revaluation of Gold and Sterling Securities in Paper Currency Reserve | 17,47,36,516 | ... | | ... | ... | | ... | ... | |
| Departmental and Judicial Deposits | 88,21,75,088 | ... | | 75,52,12,000 | ... | | 70,83,36,000 | ... | |
| Advances | 19,26,41,592 | 3,17,18,964 | | 21,53,54,000 | 2,31,20,000 | | 17,83,38,000 | 81,79,000 | |
| Suspense Accounts | 60,67,154 | ... | | 2,50,06,000 | ... | | 11,70,000 | ... | |
| Exchange on Remittance Account | 28,07,96,418 | ... | | ... | ... | | ... | ... | |
| Miscellaneous | 4,03,897 | 82,75,614 | | 1,000 | 1,03,00,000 | | 2,000 | 1,15,50,000 | |
| Total | 1,67,96,78,194 | 2,28,90,55,076 | 3,96,87,33,270 | 1,25,47,15,000 | 1,34,63,35,000 | 2,60,10,50,000 | 1,22,41,85,000 | 1,28,65,39,000 | 2,51,07,24,000 |
| Net | | | 18,66,66,669 | | | 0 | | | 0 |
| Carried over | 5,20,26,30,841 | 2,78,16,55,376 | | 4,94,15,27,000 | 1,79,92,03,000 | | 4,70,37,62,000 | 1,82,46,94,000 | |

(*b*) Of this amount, R2,47,000 is non-voted and the balance of R29,97,53,000 is voted.
(*c*) The whole of this amount is voted.
(*d*) Of this amount, R3,35,000 is non-voted and the balance of R1,96,65,000 is voted.

## C.—Statement of Receipts and Disbursements of the

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| Brought forward | 5,49,11,02 392 | 2,31,51,44,772 | | 5,34,08,46,000 | 1,53,03,83,000 | | 4,97,67,09,000 | 1,51,91,04,000 | |
| **Loans and Advances by the Central Government** | 33,46,661 | ... | 33,46,661 | 30,58,000 | ... | 30,58,000 | 28,74,000 | ... | 28,74,000 |
| Net | | | 12,75,376 | | | 0 | | | 9,74,000 |
| **Loans between Central and Provincial Governments** | | | | 78,50,000 | ... | 78,50,000 | 1,04,59,000 | ... | 1,04,59,000 |
| Net | | | | | | 0 | | | 0 |
| **Loans and Advances by Provincial Governments** | 2,79,39,348 | ... | 2,79,39,348 | | | | | | |
| Net | ... | ... | 2,27,057 | | | | | | |
| **Remittances—** | | | | | | | | | |
| Inland Money Orders | 95,37,16,465 | ... | | 85,05,00,000 | ... | | 87,00,00,000 | ... | |
| Other Local Remittances | 1,01,70,512 | ... | | 6,57,40,000 | ... | | 5,67,77,000 | ... | |
| Other Departmental Accounts | 88,615 | ... | | ... | ... | | ... | ... | |
| Net Receipts by Civil Treasuries from— | | | | | | | | | |
| Posts and Telegraphs | 1,94,13,880 | ... | | ... | ... | | ... | ... | |
| Railways | 13,53,96,285 | ... | | 4,95,81,000 | ... | | 11,91,62,000 | ... | |
| Net Receipts from Civil Treasuries by— | | | | | | | | | |
| Posts and Telegraphs | ... | ... | | 5,20,00,000 | ... | | 17,79,000 | ... | |
| Marine | 2,77,99,200 | ... | | 2,43,86,000 | ... | | 2,04,42,000 | ... | |
| Army and Military Works | 79,90,33,708 | ... | | 52,99,17,000 | ... | | 45,51,36,000 | ... | |
| Remittance Account between England and India— | | | | | | | | | |
| Transfers through Paper Currency Reserve | 60,890 | 36,50,14,786 | | ... | 2,49,85,000 | | ... | 5,84,68,000 | |
| Transfers through Gold Standard Reserve | ... | ... | | ... | ... | | ... | 10,50,00,000 | |
| Purchase of Gold | 8,21,78,141 | ... | | 11,00,000 | ... | | ... | ... | |
| Purchase of Silver | 6,99,029 | ... | | 14,000 | ... | | ... | ... | |
| Iraq drawings | ... | ... | | ... | 5,06,30,000 | | ... | 6,00,00,000 | |
| War Office transactions | 25,32,26,030 | 54,66,75,226 | | ... | 10,56,33,000 | | ... | 5,60,00,000 | |
| Other transactions | 18,44,64,910 | 6,97,42,607 | | 7,96,42,000 | 15,53,95,000 | | 4,06,29,000 | 5,55,44,000 | |
| Total | 2,46,62,22,765 | 98,14,32,619 | 3,44,76,55,384 | 1,65,28,80,000 | 33,66,43,000 | 1,98,95,23,000 | 1,56,39,25,000 | 33,50,12,000 | 1,89,89,37,000 |
| Net | | | 15,29,849 | | | 5,56,15,000 | | | 1,41,53,000 |
| **Secretary of State's Bills drawn** | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Sterling Transfers on London drawn** | 30,98,80,000 | ... | 30,98,80,000 | ... | ... | ... | ... | ... | ... |
| **Balances of Provincial Governments** | 7,66,34,510 | ... | 7,66,34,510 | ... | ... | ... | ... | ... | ... |
| Net | ... | | 86,68,098 | | | 0 | | | 0 |
| Total Receipts | 8,37,51,25,676 | 3,29,65,77,391 (a) | | 7,00,46,34,000 | 1,86,73,26,000 (b) | | 6,55,39,67,000 | 1,85,41,16,000 (b) | |
| Opening Balance | 26,47,59,962 | 11,99,73,931 | | 13,83,56,901 | 7,20,98,319 | | 22,48,09,901 | 7,00,48,319 | |
| GRAND TOTAL | 8,63,98,85,638 | 3,41,65,51,322 | | 7,14,29,90,901 | 1,93,94,24,319 | | 6,77,87,76,901 | 1,92,41,64,319 | |

(a) Of this amount, ₹5,511 represents the funds of the Gold Standard Reserve.
(b) Of this amount, ₹48,828 represents the funds of the Gold Standard Reserve.

DELHI,
FINANCE DEPARTMENT,
*March 31, 1922.*

M. F. GAUNTLETT,
*Auditor General.*

## Central Government, in India and in England—*continued.*

| | Accounts, 1920-21. | | | Revised Estimate, 1921-22. | | | Budget Estimate, 1922-23. | | |
|---|---|---|---|---|---|---|---|---|---|
| | India. | England. | Total. | India. | England. | Total. | India. | England. | Total. |
| | R | R | R | R | R | R | R | R | R |
| Brought forward | 5,20,26,80,841 | 2,78,16,55,376 | | 4,94,15,27,000 | 1,79,92,03,000 | | 4,70,37,62,000 | 1,82,46,94,000 | |
| **Loans and Advances by the Central Government** | 20,71,285 | ... | 20,71,285 | 33,30,000 | ... | 33,30,000 | 19,00,000 | ... | 19,00,000 |
| Net | | | 0 | | | 2,72,000 | | | 0 |
| **Loans between Central and Provincial Governments** | | | | 6,70,50,000 | ... | 6,70,50,000 | 6,54,59,000 | ... | 6,54,59,000 |
| Net | | | | | | 5,93,00,000 | | | 5,50,00,000 |
| **Loans and Advances by Provincial Governments** | 2,77,12,291 | ... | 2,77,12,291 | | | | | | |
| Net | | | 0 | | | | | | |
| **Remittances—** | | | | | | | | | |
| Inland Money Orders | 95,27,19,307 | ... | | 85,00,00,000 | ... | | 87,00,00,000 | ... | |
| Other Local Remittances | ... | ... | | 6,56,02,000 | ... | | 5,89,86,000 | ... | |
| Other Departmental Accounts | 18,184 | ... | | 14,000 | ... | | 1,28,000 | ... | |
| Net Payments into Civil Treasuries by— | | | | | | | | | |
| Posts and Telegraphs | 1,97,69,110 | ... | | ... | ... | | ... | ... | |
| Railways | 12,12,42,731 | ... | | 4,95,81,000 | ... | | 11,91,62,000 | ... | |
| Net Issues from Civil Treasuries to | | | | | | | | | |
| Posts and Telegraphs | ... | ... | | 5,20,00,000 | ... | | 17,79,000 | | |
| Marine | 2,76,01,849 | ... | | 2,43,86,000 | ... | | 2,04,42,000 | ... | |
| Army and Military Works | 76,64,05,951 | ... | | 52,99,17,000 | ... | | 45,51,36,000 | ... | |
| Remittance Account between England and India— | | | | | | | | | |
| Transfers through Paper Currency Reserve | 36,50,65,674 | ... | | 2,43,85,000 | ... | | 5,84,68,000 | ... | |
| Transfers through Gold Standard Reserve | ... | ... | | ... | ... | | 10,50,00,000 | ... | |
| Purchase of Gold | 1,27,56,864 | 6,72,56,958 | | ... | 11,00,000 | | ... | ... | |
| Purchase of Silver | 2,302 | 7,03,654 | | ... | 14,000 | | ... | ... | |
| Iraq drawings | ... | ... | | 5,62,95,000 | ... | | 6,00,00,000 | ... | |
| War Office transactions | 78,09,39,760 | 56,25,657 | | 11,29,00,000 | ... | | 4,38,00,000 | ... | |
| Other transactions | 15,45,76,176 | 17,14,41,358 | | 12,43,94,000 | 4,25,20,000 | | 5,88,20,000 | 3,30,63,000 | |
| Total | 3,20,10,97,908 | 24,50,27,627 | 3,44,61,25,535 | 1,89,02,74,000 | 4,36,34,000 | 1,93,39,08,000 | 1,85,17,21,000 | 3,30,63,000 | 1,88,47,84,000 |
| Net | | | 0 | | | 0 | | | 0 |
| **Secretary of State's Bill paid** | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Sterling Transfers on London paid** | ... | 31,77,70,000 | 31,77,70,000 | ... | ... | ... | ... | ... | ... |
| **Balances of Provincial Governments** | 6,79,66,412 | ... | 6,79,66,412 | 1,60,00,000 | 2,65,39,000 | 4,25,39,000 | 1,96,00,000 | 2,39,44,000 | 4,35,44,000 |
| Net | | | 0 | | | 4,25,39,000 | | | 4,35,44,000 |
| Total Disbursements | 8,50,15,28,737 | 3,34,44,53,003 | | 6,91,81,81,000 | 1,86,93,76,000 | | 6,64,24,42,000 | 1,88,17,01,000 | |
| Closing Balance | 13,83,56,901 | (b) 7,20,98,319 | | 22,48,09,901 | (b) 7,00,48,319 | | 13,63,34,901 | (b) 4,24,63,319 | |
| GRAND TOTAL | 8,63,98,85,638 | 3,41,65,51,322 | | 7,14 29,90,901 | 1,93,94 24,319 | | 6,77,87,76,901 | 1,92,41,64,319 | |

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

## D.—Abstract Statement of the Receipts and Disbursements of the Central Government in India and in England.

| REVENUE AND EXPENDITURE. | | Revised Estimate, 1921-22. | | Budget Estimate, 1922-23. | |
|---|---|---|---|---|---|
| | | Net Receipts. | Net Charges. | Net Receipts. | Net charges. |
| | | R | R | R | R |
| Principal Heads of Revenue | Customs | 33,90,26,000 | ... | 44,73,69,000 | ... |
| | Taxes on Income | 17,92,74,000 | ... | 21,64,71,000 | ... |
| | Salt | 4,82,41,000 | ... | 5,12,74,000 | ... |
| | Opium | 1,15,33,000 | ... | 1,23,09,000 | ... |
| | Other heads | 1,52,04,000 | ... | 1,56,86,000 | ... |
| | Total | 59,33,28,000 | ... | 74,31,09,000 | ... |
| Commercial Services | Railways | ... | 9,26,77,000 | 5,12,41,000 | ... |
| | Irrigation | ... | 6,36,000 | ... | 3,97,000 |
| | Posts and Telegraphs | ... | 99,90,000 | 77,96,000 | ... |
| Debt Services | | ... | 13,22,68,000 | ... | 14,35,78,000 |
| Civil Administration | Civil Administration | ... | 8,23,52,000 | ... | 8,87,57,000 |
| Currency, Mint and Exchange | Currency | 3,35,06,000 | ... | 2,38,83,000 | ... |
| | Mint | ... | 4,31,000 | ... | 2,74,000 |
| | Exchange | ... | 8,49,92,000 | ... | 9,95,50,000 |
| Civil Works | Civil Works, etc. | ... | 1,41,31,000 | ... | 1,50,57,000 |
| Miscellaneous Civil Services | Famine Relief | ... | 4,50,000 | ... | 27,000 |
| | Superannuation | ... | 2,19,10,000 | ... | 2,24,24,000 |
| | Miscellaneous | 5,65,82,000 | ... | ... | 35,50,000 |
| | Other Heads | ... | 1,06,91,000 | ... | 79,79,000 |
| Military Services | Army—Effective | ... | 53,27,37,000 | ... | 49,34,84,000 |
| | Army—Non-effective | ... | 5,11,68,000 | ... | 7,16,88,000 |
| | Marine | ... | 84,26,000 | ... | 1,13,73,000 |
| | Military works | ... | 5,07,55,000 | ... | 4,52,55,000 |
| Contributions and Assignments to Central Government by Provincial Governments | | 12,22,78,000 | ... | 8,57,36,000 | ... |
| | Total | 80,56,94,000 | 1,09,36,14,000 | 91,17,65,000 | 1,00,33,93,000 |
| | Deficit | 28,79,20,000 | | 9,16,28,000 | |

| | | Accounts, 1920-21. | | Revised Estimate, 1921-22. | | Budget Estimate, 1922-23. | |
|---|---|---|---|---|---|---|---|
| | | Net Receipts. | Net Charges. | Net Receipts. | Net Charges. | Net Receipts. | Net Charges. |
| | | R | R | R | R | R | R |
| | Deficit | ... | 26,00,85,276 | ... | 28,79,20,000 | ... | 9,16,28,000 |
| Capital Account | Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue:— | | | | | | |
| | Payments for discharge of Debentures | ... | 57,16,214 | ... | 5,00,000 | ... | 3,60,49,000 |
| | Capital contributed by Railway Companies and Indian States towards construction of State Railways | ... | ... | 64,65,000 | ... | 3,86,74,000 | ... |
| | Construction of Irrigation Works | ... | 66,83,195 | ... | 6,20,000 | ... | 2,69,000 |
| | Construction of State Railways | ... | 25,88,88,911 | ... | 23,67,59,000 | ... | 30,00,00,000 |
| | Capital outlay on Indian Postal and Telegraph Department | ... | ... | ... | 1,28,06,000 | ... | 1,45,00,000 |
| | Initial expenditure on new Capital at Delhi | ... | 1,25,75,011 | ... | 1,40,10,000 | ... | 2,00,00,000 |
| Debt, Deposits, Advances and Remittances. | Permanent Debt (net) | 28,30,14,560 | ... | 23,91,08,000 | ... | 41,21,93,000 | ... |
| | Temporary Debt (net) | 24,03,92,938 | ... | 25,08,16,000 | ... | ... | 29,94,46,000 |
| | Unfunded Debt (net) | 2,90,60,125 | ... | 4,44,75,000 | ... | 3,07,15,000 | ... |
| | Loans and Advances by Central Government (net) | 12,75,376 | ... | ... | 2,72,000 | 9,74,000 | ... |
| | Loans and Advances by Provincial Governments (net) | 2,27,057 | ... | ... | ... | ... | ... |
| | Loans between Central and Provincial Government (net) | ... | ... | ... | 5,92,00,000 | ... | 5,50,00,000 |
| | Deposits and Advances (net) | ... | 18,66,08,069 | 14,25,50,000 | ... | 24,76,67,000 | ... |
| | Remittances (net) | 15,29,849 | ... | 5,56,15,000 | ... | 1,41,53,000 | ... |
| | Secretary of State's Bills drawn | ... | ... | .. | ... | ... | ... |
| | Secretary of State's Bills paid | ... | ... | ... | ... | ... | ... |
| | Sterling Transfers on London drawn | 30,98,80,000 | ... | ... | ... | ... | ... |
| | Sterling Transfers on London paid | .. | 31,77,70,000 | ... | ... | ... | ... |
| | Balances of Provincial Governments (net) | 86,68,098 | ... | ... | 4,25,39,000 | ... | 4,35,44,000 |
| Cash Balance | Opening Balance | 38,47,33,893 | ... | 21,04,55,220 | ... | 29,48,58,220 | ... |
| | Closing Balance | ... | 21,04,55,220 | ... | 29,48,58,220 | ... | 17,87,98,220 |
| | Total | 1,25,87,81,896 | 1,25,87,81,896 | 94,94,84,220 | 94,94,84,220 | 1,03,92,34,220 | 1,03,92,34,220 |

M. F. GAUNTLETT,
*Auditor General.*

A. C. McWATTERS,
*Controller of the Currency.*

E. M. COOK,
*Secretary to the Government of India.*

DELHI,
FINANCE DEPARTMENT,
*March 31, 1922.*

# NOTES EXPLAINING THE DETAILS UNDER CERTAIN HEADS OF THE ESTIMATES.

*General results.*

The broad totals of revenue and expenditure for the last year, the current year and the ensuing year, are as follows :—

| | Actuals, 1920-21. |
|---|---|
| | R |
| Imperial and Provincial Revenue | 2,06,15,78,306 |
| Imperial and Provincial Expenditure charged to Revenue | 2,32,16,63,582 |
| Imperial deficit | 26,00,85,276 |

| | Revised, 1921-22. |
|---|---|
| | R |
| Central Revenue | 1,13,15,32,000 |
| Central Expenditure charged to Revenue | 1,41,94,52,000 |
| Central Government's deficit | 28,79,20,000 |

| | Budget, 1922-23. |
|---|---|
| | R |
| Central Revenue | 1,33,22,78,000 |
| Central Expenditure charged to Revenue | 1,42,39,06,000 |
| Central Government's deficit | 9,16,28,000 |

These figures exclude all capital, debt and remittance transactions.

*Actuals, 1920-21.*

2. A brief explanation is as usual given below of the principal divergences between the Revised estimates of revenue and expenditure as submitted to the Legislature twelve months ago, and the actual accounts of the year as closed, audited and compiled by the Auditor General.

3. The broad results are brought out in the following table :—

| | Revised, 1920-21. | | | Actuals, 1920-21. | | |
|---|---|---|---|---|---|---|
| | Imperial. | Provincial. | Total. | Imperial. | Provincial. | Total. |
| | R | R | R | R | R | R |
| Revenue | 1,35,10,35,000 | 70,63,80,000 | 2,05,74,15,000 | 1,35,63,32,291 | 70,52,46,015 | 2,06,15,78,306 |
| Expenditure | 1,48,03,61,000 | 69,57,28,000 | 2,17,60,89,000 | 1,61,64,17,567 | 69,63,45,921 | 2,31,27,63,488 |
| Surplus (+) or Deficit (−) | −12,93,26,000 | +1,06,52,000 | −11,86,74,000 | −26,00,85,276 | +89,00,094 | −25,11,85,182 |

4. The Imperial revenue was more than the Revised estimate by R52,97,000 and the Imperial expenditure by R13,60,56,000, with the result that the deficit was R13,07,59,000 more than was anticipated.

5. The main cause for the deterioration is an increase in military expenditure which amounts in the booked accounts to R81,75 lakhs against R71 crores adopted in the Revised estimate. The greater portion of the excess of R10$\frac{3}{4}$ crores occurred in the charges of the Afghan War (R4$\frac{3}{4}$ crores) and the operations in Waziristan (R4$\frac{1}{2}$ crores). The main reasons which led to the excess were an extension of the scale of operations in Waziristan towards the close of 1920-21, the full financial effect of which could not then be gauged, the non-settlement of the post-war strength and organisation of the Indian Army which made it difficult to frame and revise estimates, and the clearance of various outstanding transactions in connection with the war which were provisionally held in suspense in the accounts. There was also a deterioration of R2,32 lakhs outside military expenditure, due to a falling off in customs and land revenue and net railway receipts and to an increase in the debits for exchange.

6. The details of certain heads of the estimates are explained in the following pages.

7. A *pro formâ* account of expenditure on Delhi and the Delhi Province is appended to these notes (Appendix I), together with a prefatory note explaining the scope of the *pro formâ* account and the relation between it and the regular accounts.

## I AND 1.—CUSTOMS.

| SEA CUSTOMS. | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. | | Budget, 1922-1923. |
|---|---|---|---|---|---|---|
| | | | | Budget. | Revised. | |
| IMPORTS. | | | | | | |
| *Special Import Duties.* | R | R | R | R | R | R |
| 1. Arms, Ammunition and Military Stores | 3,39,000 | 6,03,000 | 6,15,000 | 10,00,000 | 7,55,000 | 8,50,000 |
| 2. Coal, coke and patent fuel | 36,000 | 22,000 | 46,000 | 28,000 | 6,80,000 | 5,00,000 |
| 3. Liquors— | | | | | | |
| (a) Ale, Beer, Porter, Cider and other fermented Liquors | 4,84,000 | 6,83,000 | 8,89,000 | 13,00,000 | 11, 3,000 | 16,00,000 |
| (b) Spirits and Liqueurs | 1,01,15,000 | 1,24,79,000 | 1,70,16,000 | 2,49,00,000 | 1,79,40,000 | 2,45,00,000 |
| (c) Wines | 4,66,000 | 6,39,000 | 9,01,000 | 14,50,000 | 12,08,000 | 14,00,000 |
| 4. Matches | 12,55,000 | 15,46,000 | 16,57,000 | 1,10,00,000 | 1,16,07,000 | 2,05,00,000 |
| 5. Opium | 3,000 | 3,000 | 3,000 | 3,000 | 4,000 | 3,000 |
| 6. Petroleum | 30,75,000 | 1,00,37,000 | 77,34,000 | 85,00,000 | 85,00,000 | 1,30,00,000 |
| 7. Sugar, all sorts | 1,69,43,000 | 1,28,11,000 | 1,09,17,000 | 2,35,00,000 | 6,87,00,000 | 6,25,00,000 |
| 8. Tobacco | 83,02,000 | 89,07,000 | 1,31,26,000 | 1,60,00,000 | 91,20,000 | 1,40,00,000 |
| *Duty at 2½ per cent.* | | | | | | |
| 9. Machinery | 11,62,000 | 18,86,000 | 52,67,000 | 62,00,000 | 1,08,69,000 | 1,05,00,000 |
| 10. Other articles | 4,08,000 | 3,12,000 | 4,79,000 | 3,75,000 | 3,65,000 | 5,00,000 |
| *Duty at 5 per cent.* | | | | | | |
| 11. Yarn | ... | ... | ... | ... | 2,80,000 | 50,00 000 |
| *Duty at 10 per cent.* | | | | | | |
| 12. Metals—Iron and Steel | 26,00,000 | 46,03,000 | 66,78,000 | 70,00,000 | 62,40,000 | 1,73,00,000 |
| 13. Railway plant and rolling stock | 4,60,000 | 13,56,000 | 33,91,000 | 32,00,000 | 52,30,000 | 1,73,00,000 |
| *Duty at 15 per cent.* | | | | | | |
| 14. Articles of Food and Drink (excluding sugar and vinegar) | 56,89,000 | 66,30,000 | 63,60,000 | 92,00,000 | 79,50,000 | 94,00,000 |
| 15. Raw materials and articles mainly unmanufactured | 22,97,000 | 38,15,000 | 38,23,000 | 76,00,000 | 45,00,000 | 45,00,000 |
| 16. Articles wholly or mainly manufactured— | | | | | | |
| (a) Cutlery, hardware, implements and instruments | 46,90,000 | 55,33,000 | 1,28,57,000 | 1,33,00,000 | 1,28,00,000 | 2,02,00,000 |
| (b) Metals other than Iron and Steel | 23,30,000 | 63,67,000 | 69,91,000 | 94,00,000 | 56,29,000 | 86,00,000 |
| (c) Cotton manufactures | 3,78,74,000 | 4,09,21,000 | 6,09,21,000 | 5,95,00,000 | 5,00,00,000 | 5,60,00,000 |
| (d) Yarns and textile fabrics (other than cotton manufactures) | 29,97,000 | 28,74,000 | 77,40,000 | 1,68,00,000 | 42,30,000 | 65,00,000 |
| (e) All other articles wholly or mainly manufactured | 1,69,01,000 | 2,11,27,000 | 4,30,93,000 | 3,78,00,000 | 2,55,09,000 | 4,54,00,000 |
| 17 Miscellaneous | 34,56,000 | 48,18,000 | 65,19,000 | 53,00,000 | 63,75,000 | 65,00,000 |
| *Duty at 30 per cent.* | | | | | | |
| 18. Motor cars and cycles | ... | ... | ... | 2,21,00,000 | 55,25,000 | 80,00,000 |
| 19. Pneumatic rubber tyres and tubes | ... | ... | ... | | 18,60,000 | 29,00,000 |
| 20. Silk piece-goods and other manufactures of silk | 28,33,000 | 49,25,000 | 49,17,000 | | 49,00,000 | 80,00,000 |
| 21. Other articles | 9,90,000 | 14,60,000 | 28,58,000 | | 61,55,000 | 95,00,000 |
| TOTAL IMPORTS | 12,57,05,000 | 15,43,57,000 | 23,07,98,000 | 28,54,56,000 | 27,78,94,000 | 37,47,53,000 |
| 22. Export duties— | | | | | | |
| (a) Hides and skins, raw | ... | 91,92,000 | 60,22,000 | 1,00,00,000 | 48,52,000 | 62,00 000 |
| (b) Jute (raw and manufactured) | 2,14,16,000 | 2,97,48,000 | 3,21,13,000 | 3,25,0 ,000 | 2,63,74 000 | 3,20,00 000 |
| (c) Rice | 1,11,13,000 | 37,20,000 | 60,28,000 | 1,10,00,000 | 75,25,000 | 1,10 00 000 |
| (d) Tea | 43,86,000 | 54,51,000 | 42,05,000 | 50,00,000 | 53,19,000 | 60,00,000 |
| 23. Sea Customs—Miscellaneous | 8,21,000 | 10,74,000 | 24,96,000 | 12,66,000 | 13,13,000 | 20 00,000 |
| 24. Land Customs | 5,33,000 | 7,00,000 | 13,68,000 | 8,70,000 | 12,61,000 | 12,00,000 |
| 25. Excise Duty on Cotton manufactures | 1,38,17,000 | 1,55 22,000 | 2,35,38,000 | 3,00,00,000 | 2,18,06,000 | 2,35,00,00 |
| 26. Excise Duty on Motor Spirit | 34,36,000 | 41,42,000 | 54,26,000 | 65,00,000 | 73,05,000 | 75,00,000 |
| 27. Excise Duty on Kerosene | ... | ... | ... | ... | 2,50,000 | 40,00,000 |
| 28. Warehouse and wharf rents and Miscellaneous | 5,83,000 | 9 27,000 | 69,91,000 | 21,00,00 | 8,20,000 | 10,00,000 |
| GROSS REVENUE | 18,18,10,000 | 22,48,33,000 | 31,89,85,000 | 38,46,92,000 | 35,50,19,000 | 46,91,53,000 |
| *Deduct*—Refunds | *78,94,000* | *1,01,63,000* | *92,18,000* | *73,64,000* | *90,05,000* | *1,49,69,000* |
| NET REVENUE | 17,39,16,000 | 21,46,70,000 | 30,97,67,000 | 37,73,28,000 | 34,60,14,000 | 45,41,84,000 |
| CHARGES. | | | | | | |
| India | 47,63,833 | 48,82,284 | 58,76,144 | 70,90,000 | 68,78,000 | 67,06,000 |
| England | 1,200 | 30,050 | 76,960 | 75,000 | 1,10,000 | 1,09,000 |
| TOTAL | 47,65,033 | 49,12,334 | 59,53,104 | 71,65,000 | 69,88,000 | 68,15,000* |

* After deduction of R3,53,000 disallowed by the Assembly.

*Revised, 1921-22.*

8. The Revised estimate of Customs revenue in 1921-22 amounts on the existing scale of taxation to R33,80·14 lakhs or R3,93·14 lakhs less than the Budget estimate. The large decrease is the result of the acute depression in trade during the year. The revenue from import duties fell short of the Budget by R1,34·31 lakhs, and the decline would have been much larger but for abnormally heavy imports of sugar due to good crops abroad and a fall in prices, the revenue from this source having amounted to R6,82 lakhs or R4,47 lakhs more than the Budget. The more important decreases in the import duties occurred under yarns and textile fabrics (R1,26·70 lakhs), miscellaneous articles wholly or mainly manufactured (R1,2[illegible]·91 lakhs), cotton manufactures (R1,02 lakhs), spirits and liqueurs (R72 lakhs) and tobacco (R68·80 lakhs). The stagnation in the export trade resulted in a fall of R1,41·30 lakhs in the yield of the export duties, of which jute contributed R58·26 lakhs, hides and skins R51·48 lakhs and rice R34·75 lakhs. The growth which occurred in recent years in the revenue from the excise duty on cotton manufactures also received a set-back in the current year, the receipts under that head having fallen short of the Budget by R81·94 lakhs.

*Budget, 1922-23.*

9. The Budget estimate of Customs revenue for 1922-23 is taken at R36,42·84 lakhs on the existing basis of taxation, or R2,62·70 lakhs more than the Revised estimate for 1921-22. The estimates are based on the assumption that the trade conditions in the coming year will show a slight improvement as compared with the current year. Imports of sugar cannot be expected to continue on anything like the scale of recent months, and the Budget estimate of revenue from that source is taken at R4,25 lakhs against R6,82 lakhs expected to be realised in the current year. An increase of R3,60·28 lakhs over the Revised estimate is anticipated under other heads of the import tariff, mainly manufactured articles including cotton manufactures, spirits and liqueurs and tobacco. It is assumed that with a revival in the world demand for jute, the receipts from the export duties on that commodity will return to the level reached in 1920-21, and that the revenue from the export of rice will become normal with the removal of control over the export of Burma rice.

10. With effect from the 1st March 1922, the import tariff has, under the provisions of the Indian Finance Act of 1922, been raised as shown below. The additional revenue expected in the current and next years, as a result of the increased duties imposed by the new legislation are shown in the following table:—

| Item. | Extent of increase. | Additional revenue in lakhs of rupees expected in | |
|---|---|---|---|
| *Special Import Duties.* | | 1921-22. | 1922-23. |
| Ale, beer, porter, cider, and other fermented liquors | From 3½ to 8 annas per gallon | | |
| Spirits and liqueurs— | | | |
| Liqueurs, untested | From R25 to R30 per gallon | | 30 |
| Liqueurs, tested | From R18-12 to R21-14 per proof gallon | | |
| Perfumed spirits | From R30 to R36 per gallon | | |
| All other spirits (except denatured spirits) | From R18-12 to R21-14 per proof gallon | | |
| Sugar | From R15 to R25 per cent. *ad valorem* | | 2,00 |
| Matches | From 12 annas to R1-8 per gross of boxes | | 95 |
| Articles of luxury (mainly motor cars, and cycles, pneumatic rubber tyres and tubes, silk piece-goods, etc.) | From 20 to 30 per cent. *ad valorem* | | 75 |
| Metals—iron and steel, and Railway plant and rolling stock | From 2½ to 10 per cent. *ad valorem* | | 2,20 |
| Petroleum | From 1½ to 2½ annas per gallon | | 50 |
| Yarn | To be removed from free list and made liable to a duty of 5 per cent *ad valorem.* | | 50 |
| *General Import duties* | From 11 to 15 per cent. *ad valorem* | | 2,04 |
| *Excise duty on kerosene* | An excise duty of 1 anna per gallon to be imposed on kerosene produced in India | | 40 |
| | Total | 80 | 9,64 |
| *Deduct*—Refunds of revenue collected in March 1922 but disallowed by the Assembly | | ... | 65 |
| | Net | 80 | 8,99 |

## II AND 2.—TAXES ON INCOME.

### REVENUE.

| | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | Budget, 1922-1923. |
|---|---|---|---|---|---|---|
| EXCESS PROFITS DUTY. | R | R | R | R | R | R |
| 1. India | ... | 43,504 | 4,01,205 | ... | ... | ... |
| 2. N.-W. Frontier | ... | 96,800 | ... | ... | 30,000 | ... |
| 3. Madras | ... | 21,42,128 | 38,32,284 | ... | 9,00,000 | ... |
| 4. Bombay | ... | 2,78,07,499 | 61,58,826 | ... | 14,35,000 | ... |
| 5. Bengal | ... | 5,13,82,284 | 69,56,880 | ... | 8,00,000 | ... |
| 6. United Provinces | ... | 32,76,758 | 7,25,654 | ... | 10,000 | ... |
| 7. Punjab | ... | 6,94,035 | 4,23,648 | ... | 1,00,000 | ... |
| 8. Burma | ... | 39,23,846 | 2,85,277 | ... | ... | ... |
| 9. Bihar and Orissa | ... | 2,24,608 | 30,726 | ... | 14,000 | ... |
| 10. Central Provinces | ... | 26,68,908 | ... | ... | ... | ... |
| 11. Assam | ... | 20,124 | 1,406 | ... | ... | ... |
| Total | ... | 9,22,80,494 | 1,88,15,906 | ... | 32,89,000 | ... |
| SUPER-TAX. | | | | | | |
| 1. India | 1,07,556 | 53,468 | 1,92,232 | 3,87,000 | 3,00,000 | 3,35,000 |
| 2. N.-W. Frontier | 15,137 | 19,433 | 10,744 | 26,000 | 22,000 | 22,000 |
| 3. Madras | 24,67,516 | 33,99,508 | 18,22,520 | 62,00,000 | 50,00,000 | 56,00,000 |
| 4. Bombay | 1,34,38,393 | 1,01,50,702 | 1,88,02,642 | 2,17,38,000 | 3,62,01,000 | 2,96,52,000 |
| 5. Bengal | 1,26,81,997 | 90,06,438 | 3,36,91,035 | 2,73,00,000 | 3,00,00,000 | 3,05,00,000 |
| 6. United Provinces | 10,88,426 | 8,37,591 | 17,89,590 | 15,00,000 | 32,90,000 | 45,00,000 |
| 7. Punjab | 2,78,141 | 3,71,364 | 9,39,808 | 7,76,000 | 10,01,000 | 7,08,000 |
| 8. Burma | 13,32,002 | 12,84,955 | 47,15,451 | 36,23,000 | 56,53,000 | 61,00,000 |
| 9. Bihar and Orissa | 4,42,876 | 9,05,288 | 9,07,194 | 6,70,000 | 11,17,000 | 11,22,000 |
| 10. Central Provinces | 21,942 | 2,56,600 | 6,24,361 | 6,60,000 | 16,87,000 | 20,71,000 |
| 11. Assam | 7,591 | 17,723 | 94,658 | 15,000 | 95,000 | 1,00,000 |
| Total | 3,18,81,632 | 2,63,53,070 | 6,35,90,235 | 6,28,95,000 | 8,43,66,000 | 8,07,10,000 |
| INCOME-TAX. | | | | | | |
| 1. India General—Civil | 22,05,214 | 18,91,813 | 18,99,806 | 25,12,000 | 26,46,000 | 28,11,000 |
| Non-Civil Departments | 35,98,388 | 46,29,019 | 53,15,471 | 51,98,000 | 55,93,000 | 61,77,000 |
| 2. Delhi | 7,91,719 | 8,07,540 | 12,79,749 | 13,73,000 | 11,10,000 | 12,10,000 |
| 3. Baluchistan | 35,919 | 35,943 | 42,282 | 39,000 | 46,000 | 46,000 |
| 4. North-West Frontier | 3,73,047 | 3,29,925 | 5,24,026 | 4,92,000 | 5,69,000 | 5,73,000 |
| 5. Madras | 80,51,117 | 1,06,94,329 | 1,39,94,480 | 1,68,51,000 | 1,55,01,000 | 1,80,01,000 |
| 6. Bombay | 2,55,49,837 | 3,46,96,785 | 4,29,40,821 | 5,31,45,000 | 5,32,31,000 | 5,30,14,000 |
| 7. Bengal | 2,24,02,645 | 3,47,37,615 | 4,33,27,376 | 5,08,50,000 | 4,10,00,000 | 4,15,00,000 |
| 8. United Provinces | 61,23,604 | 63,95,167 | 70,57,656 | 75,83,000 | 87,99,000 | 1,01,20,000 |
| 9. Punjab | 37,54,362 | 44,90,189 | 52,25,172 | 76,68,000 | 55,12,000 | 65,29,000 |
| 10. Burma | 65,22,674 | 86,83,839 | 1,13,71,272 | 1,19,70,000 | 1,25,39,000 | 1,51,00,000 |
| 11. Bihar and Orissa | 23,19,499 | 24,54,375 | 26,62,359 | 37,50,000 | 32,67,000 | 37,82,000 |
| 12. Central Provinces | 18,62,118 | 26,55,092 | 29,01,463 | 34,50,000 | 39,63,000 | 44,82,000 |
| 13. Assam | 9,05,163 | 7,43,248 | 9,80,404 | 9,90,000 | 9,31,000 | 10,43,000 |
| Total | 8,44,95,308 | 11,34,44,379 | 13,95,22,337 | 16,58,71,000 | 15,47,07,000 | 16,43,38,000 |
| Gross Revenue from Taxes on income | 11,63,76,940 | 23,20,78,443 | 22,19,28,478 | 22,87,66,000 | 24,23,62,000 | 24,50,98,000 |
| *Deduct*—Refunds | *12,62,953* | *77,37,263* | *1,27,54,156* | *1,04,20,000* | *2,90,72,000* | *2,17,87,000* |
| NET REVENUE | 11,51,13,987 | 22,43,41,180 | 20,91,74,322 | 21,83,46,000 | 21,32,90,000 | 22,33,11,000 |
| *Deduct*—Share of Provincial Governments in Income-tax revenue under the Devolution Rules | | | | *3,25,39,000* | *3,18,77,000* | *21,72,000* |
| Revenue of the Central Government | | | | 18,58,07,000 | 18,14,13,000 | 22,11,39,000 |

## EXPENDITURE.

| | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | Budget, 1922-1923. |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| 1. India General | 43,458 | 43,884 | 41,000 | 38,000 | 95,000 |
| 2. Delhi | 5,508 | 971 | 4,000 | 5,000 | 10,000 |
| 3. North-West Frontier | 4,439 | 18,325 | 19,000 | 21,000 | 46,000 |
| 4. Madras | 1,49,341 | 3,48,722 | 4,09,000 | 3,30,000 | 8,00,000 |
| 5. Bombay | 4,42,885 | 5,84,630 | 6,23,000 | 4,76,000 | 11,04,000 |
| 6. Bengal | 2,66,623 | 3,11,468 | 3,96,000 | 2,92,000 | 8,00,000 |
| 7. United Provinces | 2,64,601 | 3,72,169 | 5,38,000 | 3,60,000 | 6,37,000 |
| 8. Punjab | 1,09,818 | 2,07,814 | 4,45,000 | 2,43,000 | 5,29,000 |
| 9. Burma | 1,21,772 | 1,46,335 | 1,21,000 | 1,19,000 | 2,62,000 |
| 10. Bihar and Orissa | 52,165 | 64,257 | 1,70,000 | 61,000 | 1,82,000 |
| 11. Central Provinces | 61,732 | 82,480 | 2,25,000 | 1,62,000 | 3,54,000 |
| 12. Assam | 4,927 | 5,295 | 5,000 | 5,000 | 7,000 |
| *Deduct*—Lump reduction made by the Assembly | ... | ... | ... | ... | *2,24,000* |
| Total | 15,27,269 | 21,86,350 | 29,96,000 | 21,12,000 | 46,02,000 |
| England | 1,230 | 19,720 | 39,000 | 27,000 | 66,000 |
| TOTAL EXPENDITURE R | 15,28,499 | 22,06,070 | 30,35,000(*a*) | 21,39,000(*a*) | 46,68,000 |

(*a*) Represents three-fourths share of the cost of establishment to be borne by the Central Government under the Devolution Rules as they stood prior to their amendment by the Government of India, Home Department, Notification No. F.-318-Public, dated the 13th October 1921.

## REVENUE.

### (*i*) *Excess profits duty.*

*Revised, 1921-22.*

11. The Revised estimate for the current year (R32·89 lakhs) represents the collection of arrears thrown forward from the previous year.

### (*ii*) *Super-tax and Income-tax.*

*Revised, 1921-22.*

12. The Revised estimate of net revenue for 1921-22 is taken at R21,00·01 lakhs against the Budget estimate of R21,83·46 lakhs. The decrease occurs mainly in Bengal (R1,19 lakhs) due to a reduction in the profits of 1920-21 which form the basis of the preliminary assessments in the current year and to refunds necessitated by the adjustment of provisional assessments made on the basis of the previous year's income. There are minor decreases due to the same causes in most of the other provinces, but they are nearly set off by increased collections in Bombay (R67 lakhs) due to larger profits made by cotton mills.

*Budget, 1922-23.*

13. The Budget estimate of net revenue for 1922-23 amounts on the existing basis of taxation to R20,08·11 lakhs and is R91·90 lakhs less than the current year's Revised, the reduction in the demand in most provinces following on the lower profits of the current year being largely set off by arrear collections anticipated mainly in Bombay and Bengal.

### (*iii*) *Share of Provincial Governments.*

*Revised, 1921-22.*

14. Under rule 15 of the Devolution Rules as they are in force at present, Provincial Governments receive a share in the income-tax collected within their jurisdiction at the rate of three pies on each rupee brought under assessment in respect of which the income-tax assessed has been collected. In consideration of this allocation, these Governments make fixed annual assignments to the Central Government equivalent to the amount which would have accrued to them in the year 1920-21 if the three-pie rate had been in force in that year. Under this procedure, the revenue accruing to the Central Government from Taxes on Income is shown partly under this head and partly under the head "Contributions and Assignments between the Central and Provincial Governments". The total revenue in the Revised estimate for the current year

inclusive of the assignments referred to amounts to R21,11·99 lakhs, and the gain to Provincial revenues from the arrangements in regard to the allocation of income-tax revenue to R20·91 lakhs.

15. Under the revised rules published in the Government of India, Home Department, Notification No. F.-318-Public, dated the 13th October 1921, which will come into force on the 1st April 1922, the above procedure in regard to allocation and corresponding assignments will be discontinued, and the entire revenue of the Central Government appears accordingly under this head in the Budget estimates for next year. The share of Provincial Governments in Income-tax revenue under the rules as amended is estimated at R21·72 lakhs for the year 1922-23.

(*iv*) *Additional taxation.*

16. Under the provisions of the Indian Finance Act of 1922 as passed by the Indian Legislature, the rates of income-tax and super-tax on higher incomes will be raised from the 1st April 1922 in the manner shown in the following table :—

*Income-tax.*

| | Old rate. | New rate. |
|---|---|---|
| Incomes between R30,000 and 40,000 a year . . . | 14 pies in the rupee | 15 pies in the rupee. |
| Incomes of R40,000 and over . | 16 pies in the rupee | 18 pies in the rupee. |

*Super-tax.*

There will be no change in the rates up to the present maximum of 4 annas for incomes over 3½ lakhs; but a progressive increase has been made in the rates for higher incomes up to a maximum of 6 annas, the actual rates being as follows:—

| | |
|---|---|
| (*a*) in respect of the 1st fifty thousand rupees of taxable income over 4 lakhs . . . . . | 4½ annas in the rupee. |
| (*b*) in respect of the 2nd fifty thousand rupees of taxable income over 4 lakhs . . . . . | 5 annas. |
| (*c*) in respect of the 3rd fifty thousand rupees of taxable income over 4 lakhs . . . . . | 5½ annas. |
| (*d*) in respect of all taxable income over 5½ lakhs of rupees . . . . . | 6 annas in the rupee. |

The extra revenue from the increased rates is estimated at R2,25 lakhs.

EXPENDITURE.

*Revised, 1921-22.*

*Budget, 1922-23.*

17. The Revised estimate for the current year shows a lapse of R8·26 lakhs owing to the non-employment of the full strength of the sanctioned establishment in several provinces. The Budget estimate for 1922-23 provides for the further strengthening of income-tax establishments, especially in Bengal, Bombay, Madras and Burma. The Budget estimates of expenditure for next year shown in the above table represent the entire expenditure on income-tax establishments, while the Revised estimates for the current year relate to the Central Government's share only, *viz.*, three-fourths, under the Devolution Rules now in force.

## III AND 3.—SALT.

| | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | Budget, 1922-1923. |
|---|---|---|---|---|---|---|
| REVENUE. | R | R | R | R | R | R |
| Northern India (*a*) | 1,27,33,432 | 80,81,326 | 1,45,37,961 | 2,17,21,000 | 1,81,46,000 | 2,18,08,000 |
| Madras (*a*) | 1,77,72,899 | 1,51,53,932 | 1,46,12,475 | 1,46,95,000 | 1,44,63,000 | 1,41,96,000 |
| Bombay (*a*) | 1,91,25,389 | 1,71,82,357 | 2,13,17,341 | 1,36,89,000 | 1,35,50,000 | 1,56,24,000 |
| Bengal (*b*) | 1,11,77,530 | 1,38,59,419 | 1,40,10,216 | 1,70,00,000 | 1,59,50,000 | 1,62,80,000 |
| Burma (*b*) | 33,58,470 | 32,00,112 | 31,64,742 | 34,00,000 | 34,75,000 | 34,00,000 |
| Bihar and Orissa | 1,278 | 1,233 | 1,303 | 1,000 | 1,000 | 1,000 |
| Assam | 832 | 910 | 770 | 1,000 | ... | ... |
| GROSS REVENUE | 6,41 69,830 | 5,74,79,319 | 6,76,15,308 | 7,05,07,000 | 6,55,85,000 | 7,13,09,000 |
| *Deduct*—Refunds | *66,59,831* | *3,95,405* | *57,65,495* | *4,41,000* | *14,23,000* | *27,06,000* |
| NET REVENUE | 5,75,09,999 | 5,70,83,914 | 6,18,79,813 | 7,00,66,000 | 6,41,62,000 | 6,86,03,000 |
| CHARGES. | | | | | | |
| Cost of salt purchased by Government | 22,86,119 | 19,17,766 | 17,85,146 | 22,07,000 | 20,97,000 | 24,63,000 |
| Assignments and compensations | 30,43,514 | 44,46,452 | 38,55,408 | 39,70,000 | 36,96,000 | 38,77,000 |
| Other charges | 59,77,535 | 61,69,248 | 75,05,377 | 96,89,000 | 1,00,47,000 | 1,10,89,000 |
| *Deduct*:—Lump reduction made by the Assembly | .. | .. | ... | ... | ... | *1,71,000* |
| Total India | 1,13,07,168 | 1,25,33,466 | 1,31,45,931 | 1,58,66,000 | 1,58,40,000 | 1,72,58,000 |
| England | 21,900 | 51,730 | 61 840 | 65,000 | 81,000 | 71,000 |
| TOTAL | 1,13,29,068 | 1,25,85,196 | 1,32,07,771 | 1,59,31,000 | 1,59,21,000 | 1,73,29,000 |
| Total Consumption Mds. | 5,12,22,000 | 4,98,21,000 | 4,66,71,000 | 5,11,42,000 | 5,07,00,000 | 5,26,00,000 |

(*a*) Chiefly excise on local manufacture. (*b*) Chiefly duty on imported salt.

### REVENUE.

*Revised, 1921-22.*

18. The Revised estimate of Salt revenue for the current year includes R20 lakhs on account of extra revenue expected to be realised in March 1922 from the proposed doubling of the duty which has to be refunded in the next year, the proposal having been rejected by the Assembly. Eliminating this special receipt, the Revised estimate falls short of the Budget by R79·04 lakhs, the main decrease occurring in Northern India (R41·75 lakhs) owing to smaller production in the local sources in consequence of a deficient rainfall and labour troubles. Smaller decreases are also anticipated in Bengal owing to a decline in the imports of foreign salt, and in Bombay in consequence of the payment in March 1921 of revenue expected to be realised in the current year; part of these advance payments has been refunded to traders in 1921-22, with the result that the Budget provision for Refunds was exceeded by R9·82 lakhs.

*Budget, 1922-23.*

19. The total issues of salt in 1922-23, imported as well as locally manufactured, are taken at 5,26 lakhs of maunds. Including sale proceeds of Government salt and other miscellaneous receipts but allowing for the advance payments made in Bombay in previous years which have not yet been fully worked off, and for the refund of R20 lakhs referred to in the preceding paragraph the Budget estimate of gross revenue for 1922-23 has been placed at R6,86·03 lakhs.

EXPENDITURE.

*Revised, 1921-22.*

*Budget, 1922-23.*

20. The Revised estimate for the current year does not differ materially from the Budget, an increase in ordinary expenditure in Northern India and Bombay due mainly to higher wages of labour being set off by a saving in the compensations payable to the Jaipur and Jodhpur States. The Budget estimate for 1922-23 includes grants of R8·79 lakhs for the improvement of the salt sources at Sambhar and R4·21 lakhs for the development of the salt mines at Khewra and Warcha, and exceeds the Revised estimate for the current year by R14·08 lakhs.

## IV AND 4—OPIUM.

| | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. | | Budget, 1922-1923. |
|---|---|---|---|---|---|---|
| | | | | Budget. | Revised. | |
| | R | R | R | R | R | R |
| INDIA. | | | | | | |
| Revenue— | | | | | | |
| Sale of provision and medical opium . | 4,25,23,327 | 3,92,84,669 | 2,93,71,038 | 2,87,60,000 | 2,27,43,000 | 2,25,45,000 |
| Excise opium and other revenue . | 68,13,343 | 62,77,543 | 59,70,196 | 85,26,000 | 75,83,000 | 83,87,000 |
| GROSS REVENUE . | 4,93,36,670 | 4,55,62,212 | 3,53,41,234 | 3,72,86,000 | 3,03,26,000 | 3,09,32,000 |
| *Deduct*—Refunds . | *431* | *419* | *623* | *1,000* | *2,000* | *2,000* |
| NET REVENUE . | 4,93,36,239 | 4,55,61,793 | 2,53,40,611 | 3,72,85,000 | 3,03,24,000 | 3,09,30,000 |
| Expenditure— | | | | | | |
| Purchase of Opium (including payments to Cultivators) . | 1,77,16,583 | 1,11,23,467 | 1,03,82,503 | 1,31,77,000 | 1,68,29,000 | 1,67,58,000 |
| Other Charges . . | 19,46,339 | 18,91,180 | 19,22,133 | 20,02,000 | 18,47,000 | 19,98,000 |
| *Deduct*:—Lump reduction made by the Assembly . . | ... | ... | ... | ... | ... | *2,00,000* |
| TOTAL INDIA . | 1,96,62,922 | 1,30,14,647 | 1,23,04,636 | 1,51,79,000 | 1,86,76,000 | 1,85,56,000 |
| ENGLAND. | | | | | | |
| Miscellaneous Charges . | 5,960 | 39,850 | 70,550 | 75,000 | 65,000 | 65,000 |
| TOTAL . | 1,96,68,882 | 1,30,54,497 | 1,23,75,186 | 1,52,54,000 | 1,87,41,000 | 1,86,21,000 |

### REVENUE.

#### (*i*) *Provision and Medical Opium.*

21. The Budget estimate for 1921-22 provided for a revenue of R2,87·60 lakhs from the sale of about 9,110 chests of opium for consumption outside India. Of this quantity 1,680 chests were to be disposed of at the monthly auctions held at Calcutta, and the balance was to be supplied to the Foreign Governments with which agreements have been entered into for the direct supply of opium at fixed prices, the countries which at present take the largest supplies in this manner being the Straits Settlements, the Netherlands Indies and Siam. As the result of a fall in the demand for opium in the Far East, only 735 chests have so far been sold by auction and 100 chests are on offer for the sale of this month. The upset price for auction sales was reduced from R5,000 to R4,500 a chest from the 1st April 1921; the average price realised during the year will amount to R4,603 a chest, and the proceeds from auction sales are estimated at R33·83 lakhs, or R50·17 lakhs less than the Budget. Inclusive of receipts in respect of direct supplies which fell short of the Budget by R10 lakhs owing to a reduction in demand by the Straits Settlements, it is now estimated that 7,555 chests will be disposed of in the current year and that they will fetch a revenue of R2,27·43 lakhs. *Revised, 1921-22.*

22. The Budget estimate provides for a revenue of R2,25·45 lakhs from the sale of provision opium, or R1·98 lakhs less than the Revised estimate for the current year. *Budget, 1922-23.*

#### (*ii*) *Excise Opium and other revenue.*

23. The Revised estimate for 1921-22 is less than the Budget by R9·43 lakhs owing to a fall in consumption, mainly in Bombay, Burma, Assam, and the Central Provinces. The Budget estimate exceeds the current year's Revised by R8·04 lakhs in consequence of the increase of the price *Revised, 1921-22.* *Budget, 1922-23.*

payable by Local Governments from R20 to R23 per seer from the 1st April 1922. Only the amount charged to local Governments on account of the cost of production of opium consumed in India is credited under this head, the difference between the actual price of issue and the cost of production forming an item of excise revenue creditable to Provincial revenues in the case of the major provinces.

EXPENDITURE.

*Revised, 1921-22.*

24. The Revised estimate for 1921-22 exceeds the Budget by R34·87 lakhs, owing mainly to the purchase during the year of about 2,500 chests of hard Malwa opium in order to replenish stocks (R31·80 lakhs). There was also an excess in the payments to cultivators in the Central India States owing to an increase in the outturn of the 1921 crop, but it was largely set off by a saving in the provision for these payments in the United Provinces due to poor outturn. The Budget estimate for 1922-23 provides for the full cost of the increased price of R15 per seer payable to cultivators in the Central India States and the United Provinces with effect from the current year's crop, and for normal expenditure in other respects.

*Budget, 1922-23.*

## XI AND XII AND 10 TO 12—RAILWAY REVENUE ACCOUNT.

| | Actuals, 1920-21. | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|---|
| STATE RAILWAYS— | R | R | R |
| Gross Receipts | 80,97,75,233 | 81,82,30,000 | 99,57,26,000 |
| *Deduct—* | | | |
| Working Expenses | *54,51,37,461* | *65,88,80,000* | *68,05,74,000* |
| Surplus profits paid to Companies, etc. | *1,72,51,526* | *1,04,09,000* | *60,00,000* |
| Net Receipts | 24,73,86,246 | 14,89,41,000 | 30,91,52,000 |
| Interest and capital redemption charges— | | | |
| Annuities in purchase of Railways | 3,90,07,306 | 5,06,00,000 | 5,03,62,000 |
| Sinking Funds | 31,48,294 | 43,25,000 | 45,82,000 |
| Interest on Debt | 13,19,02,760 | 15,27,84,000 | 16,69,74,000 |
| Interest on Capital contributed by Companies | 2,48,00,021 | 3,33,29,000 | 3,36,48,000 |
| | 19,88,58,381 | 24,10,38,000 | 25,55,66,000 |
| Net Result | 4,85,27,865 | —9,20,97,000 | 5,35,86,000 |
| Other Receipts | 27,74,922 | 24,36,000 | 19,42,000 |
| Other Charges | —50,93,131 | 30,16,000 | 42,87,000 |
| Net Result | 78,68,053 | —5,80,000 | —23,45,000 |
| TOTAL NET RESULT | 5,63,95,918 | —9,26,77,000 | 5,12,41,000 |
| Redemption of capital from revenue | 1,09,97,040 | 1,13,75,000 | 1,17,66,000 |
| STATISTICS | | | |
| State Railways— | | | |
| Capital at charge at end of each year | 5,22,86,72,870 | 5,44,90,42,000 | 5,73,39,85,000 |
| Miles open on the 1st April | 26,580 | 26,799 | 26,864 |

*Revised, 1921-22.*

*Gross Receipts.*

25. The Budget estimate of gross receipts in India for 1921-22 was placed at Rs. 87 crores or Rs. 5·73 crores more than the Revised estimate for 1920-21. The actuals of 1920-21 were however smaller by about R35 lakhs than the Revised Estimate of that year, so that the Budget estimate actually provided for an increase of R6·08 crores compared with last year's actuals. The increase was founded on the assumption that the ordinary passenger traffic would show a large improvement consequent on the greater spending power of the people, and the provision by railways of larger train services; also that goods traffic would materially develop owing to expansion of the trade of the country and the increased earnings from the enhanced goods rates. On the other hand, allowance was made for a decrease in earnings on account of diminution in military traffic. The Revised estimate is now placed at Rs. 81·75 crores. The decrease of Rs. 5·25 crores compared with the Budget estimate is attributable to a large decline in railway traffic owing to general depression in trade and to strikes on certain Railways.

*Working Expenses.*

26. The Revised estimate of working expenses in India for 1921-22 has been adopted for Rs. 65·89 crores which is Rs. 7·28 crores more than the Budget grant. The excess is attributable mainly to fluctuation in exchange, increases of pay and allowances of superior and subordinate staff of all railways, extensive urgent repairs on some railways to vehicles and permanent way and to rise in the prices of materials, particularly coal.

*Surplus Profits.*

27. The decrease of R27·91 lakhs in the Revised estimate follows the fall in the net earnings of the last year compared with the Revised estimate for the same period.

*Budget, 1922-23.*

*Gross Receipts.*

28. The existing surtax (the proceeds of which are now shown as Miscellaneous revenue) is to be replaced from the 1st April 1922 by increased goods rates. It is also proposed to raise passenger fares by approximately 25 per cent. in view of the net loss to Government at which Railways are at present working. Inclusive of a yield of R6 crores from the increased goods rates to replace the surtax and a further R6 crores from increased passenger fares, the Budget estimate of gross receipts for 1922-23 under India is placed at R99·5 crores. Apart from the special receipts mentioned, the Budget provides for an increase of R5·8 crores over the Revised from normal growth in traffic.

*Working Expense.*

29. The Budget estimate of working expenses for 1922-23 shows an increase of R2·17 crores over the Revised estimate of the current year, due mainly to the provision made for a large programme of renewals of permanent way and of renewals and heavy repairs of locomotives and rolling stock, all of which are necessary to make good arrears which have accumulated as a result of the restriction of expenditure during recent years owing to the financial stringency and the impossibility of obtaining the requisite material. Provision has also been made for additional operating expenditure due to the increased traffic anticipated.

*Surplus profits.*

30. The large decrease of R44·09 lakhs compared with the Revised estimate for the current year under surplus profits is based on the net earnings of Railways as now estimated for the current year.

*Interest Charges, etc.*

31. The excess under Interest on debt is explained in paragraph 55.

*Other receipts.*

32. The receipts shown under this head represent the Government share of the surplus profits of the Rohilkund and Kumaon, Southern Punjab, Amritsar-Patti, Hardwar-Dehra, Sialkot-Narowal and Hoshiarpur-Doab Railways payable under the terms of their respective contracts, and dividends on certain shares of the Ahmedabad-Dholka Railway allotted to Government in payment of expenditure incurred by it on behalf of the railway. The improvement of R3,14,000 on the Budget estimate of receipts in the current year is due to fluctuations in exchange, and the decrease of R4,94,000 provided for in the Budget of 1922-23 is due mainly to the variations anticipated in the Government share of the surplus profits of the Southern Punjab Railway Company.

*Revised, 1921-22.*

*Budget, 1922-23.*

*Other charges.*

33. These consist of cost of land required by certain Railway Companies entitled under the terms of their contracts to free supply of land for the purposes of their railways; and of miscellaneous items such as surveys and controlling establishments (including the Railway Board). A share of the cost of control is charged to the working expenses of each Railway Company and the recoveries thus made are adjusted by deduction from the miscellaneous expenditure. The figures are :—

| | Actuals, 1920-21. | 1921-22. | | 1922-23. |
|---|---|---|---|---|
| | | Budget. | Revised. | Budget. |
| | R | R | R | R |
| 1. Subsidised Companies—Land and Subsidy | 5,09,993 | 6,00,000 | 7,41,000 | 19,83,000 |
| 2. Miscellaneous Expenditure | —56,16,466 | 27,46,000 | 22,75,000 | 23,04,000 |
| TOTAL | —51,06,473 | 33,46,000 | 30,16,000 | 42,87,000 |

34. *Land and Subsidy.*—The Revised estimate shows an increase of R1,41,000 over the Budget estimate of the year which is mainly attributable to the cost of land required for Larkana-Jacobabad and Amritsar-Patti Kasur Railways for which no provision was made in the Budget. The Budget estimate for 1922-23 has been placed at R19,83,000 which is a little over R12 lakhs in excess of the Revised estimate for 1921-22. The increase is chiefly due to provision made for land for the Cuttack-Telchir, Hesla-Manoharpur, Mayaveram-Tranquebar, and Jharia-Janjail Bagmara Railways the construction of which is expected to be undertaken during the next year.

*Revised, 1921-22.*

*Budget, 1922-23.*

35. *Miscellaneous Expenditure.*—The decrease of R4,71,000 in the Revised estimate for 1921-22 as compared with the Budget estimate of the year is chiefly due to provision made for certain surveys and miscellaneous charges not likely to be utilized during the year. The Budget for 1922-23 is made up as follows:—

*Revised, 1921-22.*

*Budget, 1922-23.*

| | R |
|---|---|
| Cost of surveys | 12,84,000 |
| Government supervision, audit and control:— | |
| Establishment of the Railway Board | 9,86,000 |
| „ „ Accountant General, Railways | 2,31,000 |
| Government Inspectors and Government Examiners of Accounts | 6,69,000 |
| Surplus Establishment and Miscellaneous Charges | 2,88,000 |
| Indian Railway Bridge Committee | 10,000 |
| State Railways. Miscellaneous expenditure in England | 16,85,000 |
| **Exchange** | 8,43,000 |
| Total | 59,96,000 |
| *Less*—Recoveries on account of supervision | *—16,68,000* |
| *Less*—Miscellaneous expenditure in England adjustable against working expenses | *—20,24,000* |
| GRAND TOTAL | 23,04,000 |

## CAPITAL ACCOUNT NOT CHARGED TO REVENUE.

### RAILWAY CONSTRUCTION.

*Revised, 1921-22.*

36. In the Budget for 1921-22, a sum of R17·82 crores was allotted for capital expenditure on railways for which the Government of India undertake financial responsibility. The expenditure of the year is now estimated at R23·68 crores or R5·86 crores more than the Budget estimate. The increase is attributable mainly to the further loss in exchange and to a smaller extent to additional provision for urgent works and stock and the local purchases of materials for revenue works during the year. For 1922-23 a grant of R30 crores including a sum of R9·23 crores on account of loss by exchange has been provided.

*Budget, 1922-23.*

37. The details of the total capital expenditure on State Railways worked by the State and Companies in each of the three years from 1920-21 to 1922-23 are as follows:—

| | | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | 1922-1923 Budget. |
|---|---|---|---|---|---|
| **53.—Construction of State Railways.** | | | | | |
| (*a*) England | £ | 17,582,277 | 14,328,300 | 13,731,900 | 18,460,000 |
| | R | 17,58,22,770 | 14,32,83,000 | 13,73,19,000 | 18,46,00,000 |
| (*b*) India | R | 5,38,16,148 | 67,17,000 | 2,88,95,000 | 2,31,00,000 |
| Total | R | 22,96,38,918 | 15,00,00,000 | 16,62,14,000 | 20,77,00,000 |
| **Exchange** | R | 2,92,49,993 | +2,81,56,000 | +7,05,45,000 | +9,23,00,000 |
| Net | R | 25,88,88,911 | 17,81,56,000 | 23,67,59,000 | 30,00,00,000 |

38. The following table compares the allotments made for open lines and lines under construction in 1922-23 with figures for previous years:—

| — | Actuals, 1920-21. | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|---|
| | R | R | R |
| (1) Open lines including rolling stock | 21,94,38,918 | 15,17,36,000 | 18,75,60,000 |
| (2) Lines under construction— | | | |
| (*a*) Started in previous years | 1,02,00,000 | 1,42,78,000 | 2,01,40,000 |
| (*b*) Started in current year | ... | 2,00,000 | ... |
| Total | 22,96,38,918 | 16,62,14,000 | 20,77,00,000 |
| Adjustment for exchange | 2,92,49,993 | +7,05,45,000 | +9,23,00,000 |
| Net | 25,88,88,911 | 23,67,59,000 | 30,00,00,000 |

39. The details of the Budget grant for 1922-23 by Railways are shown below :—

[Thousands of rupees.]

| | Open Lines. | | | Construction of | |
|---|---|---|---|---|---|
| | Rolling Stock. | Other items. | Total. | Lines in progress. | New lines. |
| State Railways Worked by State.— | ₹ | ₹ | ₹ | ₹ | ₹ |
| 1. North-Western Railway :— | | | | | |
| (i) Main line | 1,32,86 | 20,86 | 1,53,72 | ... | |
| (ii) Nushki Extension | ... | ... | ... | ... | |
| 2. Delhi (New Capital) Railway Works Scheme | ... | 25,81 | 25,81 | ... | |
| 3. Eastern Bengal :—Main line | 52,70 | 48,00 | 1,00,70 | ... | |
| 4. Oudh and Rohilkhand :—Main line | 51,36 | 50,90 | 1,02,26 | ... | |
| 5. Aden Railway | 1,09 | 42 | 1,51 | ... | |
| 6. Jodhpur-Hyderabad (British Section) | ... | 2,87 | 2,87 | ... | |
| 7. Stores Transactions | ... | ... | ... | ... | |
| 8. Khyber Railway | ... | ... | ... | 69,59 | |
| Total | 2,38,01 | 1,48,86 | 3,86,87 | 69,59 | ... |
| State Railways worked by Companies. | | | | | |
| 9. Assam-Bengal :— | | | | | |
| (i) Open line | 33,71 | 12,94 | 46,65 | ... | |
| (ii) Bhairab Bazar-Tangi (Open Section) | | | | | |
| (iii) " " " (Re-alignment at Bhairab-Bazar). | | | | | |
| 10. Bengal-Nagpur :— | | | | | |
| (i) Main line | 1,41,71 | 99,59 | 2,41,30 | ... | |
| (ii) Onlajori-Badampahar Branch | ... | ... | ... | 4,05 | |
| (iii) Amda-Jamda | ... | ... | ... | 28,00 | |
| (iv) Bokaro Ramgarh Extension | ... | ... | ... | 9,63 | |
| (v) South Karanpara coal-fields railway | ... | ... | ... | 15,00 | |
| (vi) Vizagapatam Harbour | ... | ... | ... | 5,00 | |
| 11. Bezwada Extension : British Section | ... | 70 | 70 | ... | |
| 12. Bombay, Baroda and Central India :— | | | | | |
| (i) Main line | 90,07 | 1,44,93 | 2,35,00 | ... | |
| (ii) Dholka-Dhandaka | ... | ... | ... | 15,00 | |
| (iii) Ahmedabad Dholka | ... | 13,00 | 13,00 | ... | |
| 13. Burma— | | | | | |
| (i) Main line | 27,75 | 16,21 | 43,96 | ... | |
| (ii) Pegu Moulmein and Henzada Kyangin Extensions. | 6,93 | 80 | 7,73 | ... | |
| (iii) Southern Shan States Railway | 4,05 | 20 | 4,25 | ... | |
| 14. East Indian :— | | | | | |
| (i) Open line | 3,18,99 | 39,17 | 3,58,16 | ... | |
| (ii) Bokaro—Ramgarh Extension | ... | ... | ... | 9,63 | |
| 15. Great Indian Peninsula System :— | | | | | |
| (i) Main line | 1,79,40 | 30,21 | 2,09,61 | ... | |
| (ii) Itarsi-Nagpur | ... | ... | ... | 20,00 | |
| (iii) Agra-Delhi Chord | ... | 3,00 | 3,00 | ... | |
| (iv) Bhopal State | ... | 78 | 78 | ... | |
| (v) Cawnpur-Banda | ... | 1,04 | 1,04 | ... | |
| (vi) Baran Kotah | ... | 2 | 2 | ... | |
| (vii) Harbour Branch | ... | ... | ... | 15,50 | |
| (viii) Majri-Rajur | ... | ... | ... | 10,00 | |
| 16. South Indian System— | | | | | |
| (i) Main line | 1,03,08 | 18,90 | 1,21,98 | | |
| (ii) Coonoor-Ootacamund | 92 | 35 | 1,27 | ... | |
| (iii) Tinnevelly-Quilon—British Section | ... | 92 | 92 | | |
| (iv) Do. Indian State Section | 5,18 | 1,03 | 6,21 | | |
| 17. Tirhoot | 9,12 | 34 | 9,46 | ... | |
| 18. Lucknow-Bareilly | 82 | 2,68 | 3,50 | ... | |
| 19. Madras and Southern Mahratta :— | | | | | |
| (i) Open line | 80,01 | 59,99 | 1,40,00 | ... | |
| (ii) Guntur Tenali | ... | 5 | 5 | ... | |
| (iii) Dhone Kurnool | ... | 5 | 5 | ... | |
| Total | 10,01,74 | 4,46,90 | 14,48,64 | 1,31,81 | ... |
| 20. Reserve | ... | 40,09 | 40,09 | ... | |
| Grand Total | 12,39,75 | 6,35,85 | 18,75,60 | 2,01,40 | ... |
| **Exchange** | ... | ... | 9,22,59 | 41 | ... |

The bulk of the programme grant for 1922-23 will be devoted to the improvement of open lines of railways.

40. The following table shows the capital outlay on all State lines up to the end of each year and the net return obtained after deducting working expenses and interest charges :—

(Capital and profit figures in thousands of Rupees.)

| — | Actuals, 1920-21. | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|---|
| | ₹ | ₹ | ₹ |
| Capital at charge at end of each year . . . . | 5,22,86,73 | 5,44,90,42 | 5,73,39,85 |
| Working profit from railways excluding interest charges | 25,52,54 | 14,83,61 | 30,68,07 |
| Percentage of same to capital outlay . . . . | 4·88 | 2·72 | 5·35 |
| Final working profit after meeting interest charges . | 5,63,96 | —9,26,77 | 5,12,41 |
| Percentage of same to capital outlay . . . . | 1·08 (gain) | 1·70 (loss) | ·89 (gain) |

## XV, 17, 18 AND 56—POSTS AND TELEGRAPHS.

| — | Actuals, 1918-19. | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|---|---|
| INDIAN POSTAL AND TELEGRAPH DEPARTMENT. | R | R | R | R | R | R |
| GROSS RECEIPTS. | | | | | | |
| INDIA. | | | | | | |
| 1. Postage and Message Revenue | 6,20,55,045 | 7,28,80,379 | 7,03,41,950 | 8,40,13,000 | 7,27,26,000 | 9,22,69,000 |
| 2. Commission on money orders | 79,56,380 | 97,82,027 | 1,33,76,585 | 1,63,00,000 | 1,03,50,000 | 1,10,00,000 |
| 3. Other Receipts | 51,75,856 | 53,26,359 | 57,42,913 | 56,50,000 | 58,50,000 | 58,50,000 |
| TOTAL INDIA | 7,51,87,281 | 8,79,38,765 | 9,44,61,448 | 10,59,63,000 | 8,89,26,000 | 10,91,19,000 |
| ENGLAND | ... | ... | ... | ... | ... | ... |
| TOTAL GROSS RECEIPTS | 7,51,87,281 | 8,79,38,765 | 9,44,61,448 | 10,59,63,000 | 8,89,26,000 | 10,91,19,000 |
| WORKING EXPENSES. | | | | | | |
| INDIA. | | | | | | |
| 1. Establishment charges | 3,89,62,425 | 4,34,87,442 | 5,97,70,800 | 6,42,17,000 | 6,40,76,000 | 6,80,75,000 |
| 2. Stationery and Printing | 16,95,418 | 31,08,971 | 31,46,054 | 34,39,000 | 32,18,000 | 32,31,000 |
| 3. Conveyance of mails | 76,58,621 | 82,80,236 | 1,00,51,774 | 1,18,05,000 | 1,13,40,000 | 1,18,23,000 |
| 4. Maintenance of Telegraph Lines | 26,71,957 | 30,56,590 | 39,90,662 | 42,73,000 | 43,86,000 | 61,29,000 |
| 5. Miscellaneous | 19,02,352 | 18,88,441 | 11,05,551 | 11,60,000 | 12,83,000 | 12,96,000 |
| TOTAL INDIA | 5,28,90,773 | 5,98,21,680 | 7,80,64,841 | 8,49,94,000 | 8,43,03,000 | 9,05,54,000 |
| ENGLAND. | | | | | | |
| 1. Contribution to Eastern mail subsidy | 4,57,880 | 4,57,880 | ... | 3,20,000 | ... | 2,00,000 |
| 2. Other items | 34,870 | 68,040 | 2,66,500 | | 1,99,000 | 2,55,000 |
| TOTAL ENGLAND | 4,92,750 | 5,25,920 | 2,66,500 | 3,20,000 | 1,99,000 | 4,55,000 |
| TOTAL WORKING EXPENSES | 5,33,83,523 | 6,03,47,600 | 7,83,31,341 | 8,53,14,000 | 8,45,02,000 | 9,10,09,000 |
| NET RECEIPTS—INDIAN POSTAL AND TELEGRAPH DEPARTMENT | 2,18,03,758 | 2,75,91,165 | 1,61,30,107 | 2,06,49,000 | 44,24,000 | 1,81,10,000 |

| | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|
| EXPENDITURE CHARGED TO REVENUE. | R | R | R | R |
| INDIAN POSTAL AND TELEGRAPH DEPARTMENT— | | | | |
| INDIA. | | | | |
| 1. Interest on Debt | ... | ... | 60,00,000 | 66,00,000 |
| 2. Miscellaneous Expenditure | —22,70,161 | —21,83,000 | —11,94,000 | —31,84,000 |
| | —22,70,161 | —21,83,000 | 48,06,000 | 34,16,000 |
| ENGLAND. | | | | |
| Miscellaneous Expenditure—Purchase of Stores | 93,22,372 | 1,07,30,000 | 1,00,00,000 | 72,90,000 |
| TOTAL EXPENDITURE CHARGED TO REVENUE | 70,52,211 | 85,47,000 | 1,48,06,000 | 1,07,06,000 |
| CAPITAL OUTLAY ON POSTS AND TELEGRAPHS. | | | | |
| (NOT CHARGED TO REVENUE.) | | | | |
| INDIAN POSTAL AND TELEGRAPH DEPARTMENT— | | | | |
| 1. Telegraph Lines | 66,26,833 | | 95,98,000 | 89,44,000 |
| 2. Telegraph Buildings | 343 | | 13,40,000 | 25,03,000 |
| 3. Apparatus and Plant | 5,89,280 | | 18,68,000 | 30,53,000 |
| TOTAL | 72,16,456 | 1,00,00,000 | 1,28,06,000 | 1,45,00,000 |

| | Actuals, 1918-19. | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|---|---|
| INDO-EUROPEAN TELEGRAPH DEPARTMENT. | R | R | R | R | R | R |
| GROSS RECEIPTS. | | | | | | |
| INDIA. | | | | | | |
| 1. Message Revenue | 46,86,704 | 39,58,011 | 16,28,207 | 23,70,000 | 23,50,000 | 24,00,000 |
| 2. Other Receipts | 75,522 | 98,523 | 24,461 | —14,000 | 16,000 | —2,90,000 |
| TOTAL INDIA | 47,62,226 | 40,56,534 | 16,52,668 | 23,56,000 | 23,66,000 | 21,10,000 |
| ENGLAND. | | | | | | |
| 1. Message Revenue | 2,57,580 | 10,45,920 | 15,00,695 | 8,45,000 | 14,50,000 | 9,50,000 |
| 2. Other Receipts | 8,130 | 6,350 | 1,500 | 3,20,000 | 2,000 | 3,20,000 |
| TOTAL ENGLAND | 2,65,710 | 10,52,270 | 15,02,195 | 11,65,000 | 14,52,000 | 12,70,000 |
| TOTAL GROSS RECEIPTS | 50,27,936 | 51,08,804 | 31,54,863 | 35,21,000 | 38,18,000 | 33,80,000 |
| WORKING EXPENSES—INDIA AND ENGLAND | 24,24,371 | 31,18,035 | 26,29,510 | 32,96,000 | 30,35,000 | 30,17,000 |
| NET RECEIPTS—INDO-EUROPEAN TELEGRAPH DEPARTMENT | 23,03,565 | 19,90,769 | 5,25,353 | 2,25,000 | 7,83,000 | 3,63,000 |

| | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|
| CAPITAL ACCOUNT CHARGED TO REVENUE. | R | R | R | R |
| INDO-EUROPEAN TELEGRAPH DEPARTMENT— | | | | |
| India | —31,576 | 5,10,000 | 1,86,000 | —3,64,000 |
| England | 5,84,674 | 7,45,000 | 2,05,000 | 3,35,000 |
| TOTAL CAPITAL ACCOUNT CHARGED TO REVENUE | 5,53,098 | 12,55,000 | 3,91,000 | —29,000 |

## INDIAN POSTAL AND TELEGRAPH DEPARTMENT.

### (*a*) *Gross Receipts.*

*Revised, 1921-22.*

41. The Revised estimate for 1921-22 falls short of the Budget by ₹1,70·37 lakhs. About ₹35 lakhs of the decrease occurs in the yield of the increased rates of postage introduced by the Indian Finance Act VI of 1921, and a further ₹50 lakhs is due to a change made in the current year in the method of adjustment of the difference between the rates at which post offices are authorised to issue sterling money orders from time to time on the basis of the current market rates of exchange and the rate of 2*s.* per rupee fixed for the conversion of sterling into rupees and *vice versâ*. This difference was described as commission up to the 31st December 1921, but as it really represented the difference due to exchange, it was decided to adjust it under the head "Exchange on Remittance accounts" outside the revenue account instead of as revenue. From the 1st January 1922, the adjustment for exchange has been dispensed with, the conversion being made at the rates of exchange fixed for the issue of the money orders and the commission being limited to the charge levied on their issue. The balance of the falling off in revenue amounting to about ₹85 lakhs is the result of the acute depression in trade during the year and of an increase in the rupee payments to be made to other Telegraph administrations owing to the fall in the exchange value of the rupee.

*Budget, 1922-23.*

42. In accordance with the provisions of the Indian Finance Act of 1922, the following increases will be made in the postal rates with effect from the 24th April 1922, in view of the loss at which the combined Indian Postal and Telegraph Department is at present working:—

(*i*) Abolition of the half anna and 9 pies postage for letters, the charges in future to be one anna for letters not exceeding 2½ tolas in weight and one anna for every additional 2½ tolas or fraction thereof.

(*ii*) Raising to half an anna the quarter anna postcard.

The extra revenue from these changes is estimated at ₹1,60 lakhs. Apart from the additional revenue due to the revision of the rates, the Budget estimate of revenue for 1922-23 provides for an increase of ₹42 lakhs over the Revised estimate for the current year in anticipation of some improvement in trade conditions.

### (*b*) *Working Expenses.*

*Revised, 1921-22.*

43. The Revised estimate shows a decrease of ₹8·12 lakhs as compared with the Budget, due to a lapse in the grants for conveyance of mails and stationery and printing.

*Budget, 1922-23.*

The Budget grant for 1922-23 has been limited to the minimum requirements for working the Department, the excess of ₹65·07 lakhs over the Revised estimate for the current year being due mainly to the normal growth in the operations of the Department.

### (*c*) *Interest on debt.*

44. Owing to the transfer of capital outlay on the Indian Postal and Telegraph Department outside the revenue account, it has been decided to make a charge to the revenue account of the Department on account of interest on past outlay, as in the case of capital outlay on railways and irrigation works. The debits on this account in the Revised estimate for the current year and the Budget for next year are estimated at ₹60 and ₹66 lakhs respectively.

### (*d*) *Miscellaneous Expenditure—India.*

45. The differences between the Budget and Revised estimates for the current year and between the latter and the Budget estimate for 1922-23 arise mainly from variations in the value of stores issued for working purposes and to the capital account. The Budget estimate for next year includes, however, an allotment of ₹15·19 lakhs for Post Office buildings against an expenditure of ₹5·88 lakhs anticipated in the current year.

### (e) *Miscellaneous Expenditure—England.*

*Revised, 1921-22.* 46. The decrease of R7·30 lakhs in the Revised estimate for the current year as compared with the Budget is due partly to a fall in prices and partly to a throwforward of expenditure to the coming year. The Budget grant for *Budget, 1922-23.* the purchase of stores in 1922-23 has been curtailed in view of the financial situation.

### (f) *Capital outlay not charged to Revenue.*

47. In the Budget estimate for the current year, a lump sum of R1 crore was provisionally transferred to a capital head outside the revenue account on account of capital outlay on the Indian Postal and Telegraph Department to be met from loan funds. Pending fuller consideration of the precise basis of transfer with reference to the reconstitution of the post and telegraph accounts as a result of the investigation which has just been completed by the expert accountants who have been engaged on that work, it is proposed for the purpose of the present estimates to shew outside the revenue account the outlay pertaining to telegraph lines, buildings and apparatus. The outlay debitable to the capital head amounts on this basis to R1,28 lakhs in the Revised estimate for the current year and R1,45 lakhs in the Budget for 1922-23. The latter figure includes R25·03 lakhs for Telegraph buildings against an expenditure of R13·40 lakhs anticipated in the current year.

## INDO-EUROPEAN TELEGRAPH DEPARTMENT.

### (a) *Gross Receipts.*

*Revised, 1921-22.* 48. The Revised estimate for the current year exceeds the Budget by R2·97 lakhs owing to a greater volume of traffic over the Eastern Telegraph *Budget, 1922-23.* line. The Budget estimate for 1922-23 assumes normal traffic over this line.

### (b) *Working expenses.*

*Revised, 1921-22.* 49. The Revised estimate for the current year shows a saving of R2·61 lakhs on account of exchange on increased revenue realisations in England. *Budget, 1922-23.* The Budget estimate for 1922-23 does not differ materially from the current year's Revised.

### (c) *Capital outlay charged to revenue.*

*Revised, 1921-22.* 50. The decrease of R8·64 lakhs in the Revised estimate for the current year as compared with the Budget is due mainly to a larger credit for stores *Budget, 1922-23.* issued to other departments. The small *minus* provision in the Budget for 1922-23 is due to a restricted capital programme, the provision for capital outlay being less than the credits anticipated from the issue of stores.

## XVI.—INTEREST RECEIPTS.

| | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|---|
| INDIA. | R | R | R | R | R |
| 1. Interest on loans and advances by the Central Government | 35,96,153 | 35,97,716 | 34,89,000 | 35,31,000 | 34,56,000 |
| 2. Interest on overdrawn Capital of Railway Companies in India | 5,45,148 | 33,277 | 10,08,000 | ... | ... |
| 3. Interest on advances to Railway Companies charged to Capital | 22,460 | 1,24,560 | 3,75,000 | 4,50,000 | 7,50,000 |
| 4. Interest on Securities of Railway Companies' Provident Funds | 31,97,828 | 27,71,767 | 27,71,000 | 37,71,000 | 37,55,000 |
| 5. Miscellaneous items | 4,39,201 | 1,06,192 | 1,06,000 | 2,90,000 | 1,67,000 |
| TOTAL INDIA | 78,00,790 | 66,36,512 | 77,49,000 | 80,42,000 | 81,28,000 |
| ENGLAND. | | | | | |
| 1. Interest realised from investment of Cash Balances, etc. | 36,25,580 | 18,78,580 | 12,12,000 | 24,24,000 | 3,03,000 |
| 2. Interest on advances to the Imperial Bank of Persia for the purpose of the Persian Government | 2,27,710 | 2,19,900 | | | |
| 3. Interest on investment in Special Reserve | 35,04,130 | ... | | | |
| 4. Miscellaneous | 4,520 | 4,630 | | | |
| TOTAL | 73,61,940 | 21,03,110 | 12,12,000 | 24,24,000 | 3,03,000 |
| TOTAL RECEIPTS | 1,51,62,730 | 87,39,622 | 89,61,000 | 1,04,66,000 | 84,31,000 |
| Loans by the Central Government outstanding on 31st March | 9,23,69,626 | 9,08,72,250 | 8,56,27,626 | 9,11,44,250 | 9,01,70,250 |

### *India.*

*Revised, 1921-22.*

51. The Revised estimate exceeds the Budget by R2·93 lakhs. The interest on overdrawn capital of Railway Companies is now adjusted as a deduction from interest expenditure. The nominal decrease resulting from this change is more than set off by an increase of R10 lakhs on account of interest on the securities of the Bengal Nagpur and South Indian Railway Provident Funds taken over by Government in the current year and a special receipt of R91,000 representing rebate on Treasury Bills tendered in payment of this year's loan. The Budget for 1922-23 does not materially differ from the Revised estimate for 1921-22.

*Budget, 1922-23.*

### *England.*

52. Owing to the earlier issue of the sterling loan, the cash balances of the Secretary of State available for investment were larger and the Revised estimate exceeds the current year's Budget by R12·12 lakhs. It is expected that the balances will be smaller throughout the year 1922-23 and the Budget has been taken at R21·21 lakhs less than the Revised

## 19 AND 20.—INTEREST EXPENDITURE AND 21.—SINKING FUNDS.

| | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | Budget, 1922-23. |
|---|---|---|---|---|---|
| **Interest on Debt other than that charged to Commercial Departments and Provincial Governments—** | ₹ | ₹ | ₹ | ₹ | ₹ |
| Interest on total Debt— | | | | | |
| 1. India | 14,92,79,916 | 17,88,14,392 | 17,08,00,000 | 18,95,50,000 | 19,94,50,000 |
| 2. England | 6,96,21,840 | 6,61,56,260 | 6,79,07,000 | 7,23,65,000 | 8,29,81,000 |
| Total | 21,89,01,756 | 24,49,70,652 | 23,87,07,000 | 26,19,15,000 | 28,24,31,000 |
| *Deduct*—Amounts charged to— | | | | | |
| (*a*) Railways: | | | | | |
| (*i*) India | *7,63,56,052* | *8,80,51,408* | *11,16,72,000* | *9,02,39,000* | *10,13,93,000* |
| (*ii*) England | *3,67,30,270* | *3,77,48,700* | *3,86,66,000* | *4,20,72,000* | *4,42,68,000* |
| | *11,30,86,332* | *12,58,00,108* | *15,03,38,000* | *13,23,11,000* | *14,56,61,000* |
| (*b*) Irrigation: | | | | | |
| (*i*) India | *8,83,915* | *9,25,348* | *9,85,000* | *9,39,000* | *9,51,000* |
| (*ii*) England | *50,000* | *51,000* | ... | ... | ... |
| | *9,33,915* | *9,76,348* | *9,85,000* | *9,39,000* | *9,51,000* |
| (*c*) Posts and Telegraphs | ... | ... | ... | *60,00,000* | *66,00,000* |
| (*d*) Provincial Governments | *2,71,36,535* | *2,81,76,443* | *2,59,48,000* (*a*) | *2,65,32,000* | *2,99,73,000* |
| Total deduction | *14,11,56,782* | *15,49,52,899* | *17,72,71,000* | *16,57,82,000* | *18,31,85,000* |
| Interest on Ordinary Debt | 7,77,44,974 | 9,00,17,753 | 6,14,36,000 | 9,61,63,000 | 9,92,46,000 |
| **Interest on other Obligations—** | | | | | |
| On Savings Bank Balances | 1,40,92,437 | 1,73,17,939 | 1,95,44,000 | 2,20,67,000 | 2,24,81,000 |
| Other items | 46,18,701 | 42,31,496 | 35,33,000 | 41,04,000 | 98,82,000 |
| TOTAL | 1,87,11,138 | 2,15,49,435 | 2,30,77,000 | 2,61,71,000 | 3,23,63,000 |
| **Sinking Funds—** | | | | | |
| (*i*) India | 73,00,000 | 73,00,000 | 1,54,00,000 | 1,54,00,000 | 1,54,00,000 |
| (*ii*) England | 50,00,000 | 50,00,000 | 50,00,000 | 50,00,000 | 50,00,000 |
| TOTAL | 1,23,00,000 | 1,23,00,000 | 2,04,00,000 | 2,04,00,000 | 2,04,00,000 |
| TOTAL | 10,87,56,112 | 12,38,67,188 | 10,49,13,000 | 14,27,34,000 | 15,20,09,000 |
| | £ | £ | £ | £ | £ |
| Debt outstanding on 31st March— | | | | | |
| Sterling | 192,631,082 | 191,329,245 | 197,631,082 | 205,929,245 | 224,257,445 |
| | ₹ | ₹ | ₹ | ₹ | ₹ |
| Rupee Debt— | | | | | |
| Permanent Debt— | | | | | |
| New Loan | ... | ... | 15,00,00,000 | ... | 25,00,00,000 |
| 6 per cent. Bonds | ... | 29,35,34,700 | 29,34,70,000 | 40,59,03,700 | 40,59,03,700 |
| 5½ per cent. War Bonds | 29,39,44,665 | 29,17,19,500 | 29,15,07,000 | 29,17,19,50 | 29,17,19,500 |
| 5 per cent. debt | 45,96,52,000 | 45,28,51,700 | 43,06,39,000 | 43,48,64,700 | 41,50,33,700 |
| 4 per cent. „ | 17,36,92,100 | 17,24,87,200 | 17,12,87,000 | 17,12,87,200 | 17,00,87,200 |
| 3½ per cent. „ | 1,19,07,99,465 | 1,19,12,88,891 | 1,19,19,85,000 | 1,19,15,64,89 | 1,19,18,56,891 |
| 3 per cent „ | 6,61,57,750 | 6,55,80,050 | 6,47,57,750 | 6,52,30,050 | 6,48,80,050 |
| Other debt | 1,00,13,500 | 1,00,13,500 | 1,00,13,500 | 1,00,13,500 | 1,00,13,500 |
| Temporary Debt— | | | | | |
| 6 per cent. Bonds | ... | ... | ... | 37,89,47,000 | 37,89,47,000 |
| 5½ per cent. War Bonds | 57,43,74,473 | 29,50,55,910 | 12,42,78,475 | 10,39,24,100 | 2,59,24,100 |
| Treasury Bills— | | | | | |
| Issued to public | 42,89,00,000 | 43,67,10,000 | 42,70,00,000 | 53,34,10,000 | 42,34,10,000 |
| Issued to Paper Currency Reserve | 10,09,00,000 | 61,23,00,000 | 57,19,00,000 | 57,89,00,000 | 46,74,51,000 |
| Savings Bank Balances | 41,19,82,242 | 44,99,23,394 | 49,99,35,242 | 49,76,51,394 | 54,72,71,394 |
| Post Office Cash Certificates | 5,75,31,356 | 4,77,78,756 | 4,17,56,356 | 4,34,34,756 | 2,34,34,756 |

(*a*) Was shown as a receipt under XVI—Interest in the Budget for 1921-22.

*Interest on ordinary debt.*

53. The gross charges on account of interest on debt show an excess of R2,32·38 lakhs as compared with the Budget. The borrowings both in India and in England were considerably higher than the amounts budgeted for, with the result of an increase in interest payments of a crore in respect of the rupee loan and R½ a crore in respect of the sterling loans. The discount on treasury bills issued to the public and the interest on ways and means advances from the Imperial Bank of India (15 crores were obtained during September and November and repaid by the end of January) account for a further increase of R1 crore. *Revised, 1921-22.*

54. In the Budget for 1922-23 provision has been made for a full year's interest on the rupee loan of R49 crores and the sterling loans of £17½ millions raised in the current year. A sum of R1,25 lakhs has been set aside for the service of the rupee loan and another 53 lakhs for the service of the sterling loan to be floated in the coming year and R4,75 lakhs for discount on treasury bills; of the latter over R2,65 lakhs will be required for the replacement of the Indian treasury bills held in the Paper Currency Reserve. The balance of R2,10 lakhs will be available for meeting the discount on the treasury bills which it is anticipated will be sold to the public during the course of 1922-23 in replacement of those issued in the current year. Allowance has been made for the discharge of the War Bonds, 1922, amounting to nearly 8 crores which are due for payment in August next, and provision has been entered in England for the dividends due on the undischarged balance of India's share of the British war debt. *Budget, 1922-23.*

55. The amount of interest transferred to the accounts of the commercial departments depends, firstly, on the capital expenditure; secondly, on the actual payment of interest on that portion of the debt which has been incurred specifically on account of the construction or purchase of Railways; and, thirdly, on the rate at which interest is charged on that portion of the debt which has not been specifically raised for the above or other purpose. The present procedure is to charge to railways and irrigation works, in respect of that portion of the debt which has not been incurred specifically for these works, interest on capital expenditure incurred to the end of 1916-17 at the rate of interest specified in the Devolution Rules and interest on capital outlay in subsequent years at the average rate paid on borrowings in that period. The variation in the amount of interest to be transferred to railways in the Revised estimates of the current year as compared with the Budget figures is due to the difference in the rates of interest and exchange value of the rupee on which the calculations are based. The increase in the Budget estimate of 1922-23 is almost wholly due to the progress of the capital expenditure. The Budget estimates of 1922-23 for recoveries from Provincial Governments allows for a full year's interest on the loans granted to them by the Central Government during the current year. *Transfers to Commercial Departments and Provincial Governments.* *Revised, 1921-22.* *Budget, 1922-23.*

56. Owing to the transfer of capital outlay on the Indian Postal and Telegraph Department outside the revenue account from the current year, it has been decided to adopt the above procedure of charging interest on past capital outlay to that department also. The debits on this account will amount to R60 lakhs in the current year and R66 lakhs next year.

*Interest on other obligations.*

57. The Revised estimate for 1921-22 includes arrear adjustments in consequence of the raising of the rate of interest on railway provident funds to 5½ per cent. with retrospective effect from the 1st April 1919 and provision for the interest payable on the balances of the Bengal Nagpur and South Indian Railway Provident Funds taken over by Government during the current year. The Budget for 1922-23 eliminates the arrear adjustment, but includes an increased provision for interest charges following on the growth in the balances of provident fund and other accounts, and also for a payment of about R57 lakhs on account of bonus on the undischarged balance of the Post Office Cash Certificates issued in connection with the first Indian War Loan which will mature in 1922-23. *Revised, 1921-22.* *Budget, 1922-23.*

## XXIX AND 40.—EXCHANGE.

| | Actuals, 1918-19. | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22 | | Budget. 1922-23. |
|---|---|---|---|---|---|---|
| | | | | Budget. | Revised | |
| | R | R | R | R | R | R |
| Revenue . . | 7,25,16,177 | ... | ... | ... | ... | ... |
| Expenditure . . | ... | ... | 3,23,39,526 | 3,28,54,000 | 8,49,92,000 | 9,95,50,000 |

58. Since the 1st April 1920, the accounts have been prepared on the basis of the rate of 2*s.* per rupee for the conversion of rupee transactions into sterling and *vice versa*. The sterling value of the rupee has however fluctuated largely since that date, the average rate for the current year being expected to work out at slightly below 1*s.* 4*d.* In consequence of these variations from the 2*s.* rate, large sums have to be brought to account as credits or debits on account of exchange in respect of transactions involving remittances of funds to and from the Secretary of State.

59. The following table shows the debits for exchange in respect of remittance and allied transactions which are expected to be brought to account in the current and next years, the estimates for next year being based on the assumption of an average rate of exchange of 1*s.* 4*d.* during the year :—

| | (In lakhs of Rupees.) 1921-22. | 1922-23. |
|---|---|---|
| (*i*) War disbursements in India recoverable from His Majesty's Government and other military transactions . . . . . | 6,07 | 1,22 |
| (*ii*) Bills and telegraphic transfers drawn by Mesopotamia for payment in India against recoveries in England . . . . . | 2,79 | 3,00 |
| (*iii*) Transfers through Paper Currency and Gold Standard Reserves to finance the requirements of the Secretary of State . . . . | 1,23 | 8,17 |
| (*iv*) Excess in the assets of the Gold Standard Reserve over £40 millions, which are applicable to the reduction of created securities in the Paper Currency Reserve in India . . . . | 72 | 99 |
| (*v*) Sterling money order and other miscellaneous transactions . . . . . | —33 | 95 |
| Total . | 10,48 | 14,33 |

60. The variation in the estimates for item (*i*) follows on a reduction anticipated in the amount of expenditure which will be incurred on behalf of the Home Government in the coming year. The increase against item (*iii*) arises from the larger assistance from India which the Secretary of State will require in the coming year. This amounts to £16⅔ millions against £2½ millions only in the current year.

61. The present procedure for the allocation between different heads of exchange gains and losses is as follows. All exchange gains and losses arising in respect of remittance transactions are recorded in the first instance under a suspense head; the portion attributable to the revenue and capital accounts in respect of outlay incurred in England is calculated every month on the basis of the average of the daily telegraphic transfer rates from Calcutta on London and transferred to these accounts; and it is considered with reference to the circumstances of each year whether the balance remaining under the suspense head after these transfers are made should be written off to revenue or kept in suspense against the possibility of opposite results

in succeeding years. The portion of the exchange gain or loss attributable to the revenue account which relates to outlay in England on behalf of commercial services (Railways, Irrigation works and Posts and Telegraphs) and to expenditure of Provincial Governments is debited to the commercial heads and Provincial Governments concerned, the balance of the gain or loss pertaining to the revenue account being shown under the general revenue or expenditure head "Exchange".

62. The following table shows the amounts chargeable to the revenue, capital and other heads during the current and next years on account of losses from exchange and the balance remaining under the suspense head after such allocation :—.

| | (In lakhs of rupees.) 1921-22. | 1922-23. |
|---|---|---|
| Transferred to— | | |
| Capital heads (Railways, Irrigation and Delhi) | 6,96 | 9,32 |
| Provincial Governments | 1,35 | 1,20 |
| Commercial revenue heads (Railways, Irrigation and Posts and Telegraphs) | 5,55 | 5,42 |
| General expenditure head "Exchange" | 8,50 | 9,96 |
| Total transfers | 22,36 | 25,90 |
| Appropriation of loss to revenue and capital in excess of actual loss on remittances | 11,88 | 11,57 |
| Net credit under suspense head for two years together | 23,45 | |

Taking into account a debit of ₹22,85 lakhs which remained outstanding under the suspense head at the end of 1920-21, it is expected that there will be an outstanding credit balance of ₹60 lakhs at the end of 1922-23 awaiting clearance in subsequent years.

## XXXVI AND 48.—ARMY.

| EXPENDITURE. | Actuals, 1918-19. | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | 1922-23, Budget. |
|---|---|---|---|---|---|---|
| India— | R | R | R | R | R | R |
| *Part A—Standing Army. Effective Services.* | | | | | | |
| Maintenance of the Standing Army | 54,98,99,180 | 71,50,23,828 | 67,53,52,602 | 29,97,18,000 | 25,54,64,000 | 30,38,74,340 |
| Auxiliary and Territorial Forces | | | | 51,41,000 | 73,25,000 | ... |
| Cost of Educational, etc., establishments and Working expenses of Hospitals, Depôts, etc. | | | | 7,68,74,000 | 7,99,29,000 | 8,04,04,420 |
| Army Headquarters, Staff of Commands, etc. | | | | 1,89,71,000 | 1,84,57,000 | 1,83,08,200 |
| Royal Air Force | | | | 1,01,24,000 | 77,59,000 | 96,45,000 |
| Stock Account | | | | 2,32,85,000 | 2,00,10,000 | 32,25,920 |
| Special Services | | | | 3,62,04,000 | 4,21,81,000 | 1,08,64,190 |
| Miscellaneous Charges | | | | 1,26,53,000 | 3,29,89,000 | 1,75,22,930 |
| Unadjusted Expenditure | 25,23,633 | —15,76,279 | 35,45,549 | ... | ... | ... |
| TOTAL R | 55,24,22,813 | 71,34,47,549 | 67,88,98,151 | 48,29,70,000 | 50,10,64,000 | 45,28,45,000 |
| *Non-effective Services* R | 1,59,18,060 | 1,81,77,280 | 2,48,11,966 | 2,89,00,000 | 3,13,66,000 | 3,66,06,000 |
| *Part B*—Auxiliary and Territorial Forces (*Effective Services*) R | ... | ... | ... | ... | ... | 1,18,86,000 |
| TOTAL INDIA R | 56,83,40,873 | 73,16,24,829 | 70,37,10,117 | 51,18,70,000 | 53,24,30,000 | 50,13,37,000 |
| ENGLAND— | £ | £ | £ | £ | £ | £ |
| *Part A—Standing Army.— Effective Services.* | | | | | | |
| Maintenance of the Standing Army— | | | | | | |
| (1) Payments to War Office in respect of British Forces serving in India | | | 1,982,787 | 1,986,000 | 1,976,000 | 1,788,000 |
| (2) Furlough Allowances and Pay during Voyage of British Forces serving in India | | | 197,506 | 160,000 | 246,700 | 217,000 |
| (3) Furlough Allowances of Officers of the Indian Service, etc. | | | 740,562 | 851,500 | 756,000 | 935,000 |
| (4) Special expenditure on account of Families-Marriage, etc, Allowances | | | ... | ... | 1,006,000 | 792,000 |
| (5) Payments to War Office on account of stores taken to India by British Troops | | | 22,000 | 58,000 | 198,900 | 134,600 |
| (6) Payments to War Office on account of Clothing Allowances of British Troops | | | ... | 32,000 | 96,700 | 76,100 |
| (7) Unemployment Insurance of British Troops | | | 30,500 | 110,000 | 148,900 | 95,000 |
| (8) Bounties to British soldiers for extension of service | | | ... | ... | 4,000 | ... |
| (9) Exchange concession in connection with the issue of sterling war gratuities granted to British Officers and men present in India or Mesopotamia on 4th August 1919 | | | 200,000 | ... | ... | 250,000 |
| | | | 3,123,355 | 3,197,500 | 4,428,200 | 4,287,700 |
| Cost of Educational, etc., Establishments and Working Expenses of Hospitals, Depots, etc.— | | | | | | |
| Purchase of stores for— | | | | | | |
| (1) Remount Depôts | | | 2,770 | 3,800 | 3,800 | 4,600 |
| (2) Grass Farms | | | 52,409 | 27,000 | 23,000 | 14,800 |
| (3) Dairy Farms | | | 110,000 | 385,000 | 222,000 | 449,000 |
| (4) Clothing Factories | | | ... | 350,000 | 335,000 | 277,000 |
| (5) Ordnance Factories | | | ... | ... | 12,000 | 7,000 |
| (6) Manufacture of 3·7 inch Howitzers | | | 165,179 | 765,800 | 595,800 | 752,400 |
| England—Effective services—Carried over | | | 3,288,534 | 3,963,300 | 5,024,000 | 5,040,100 |

## XXXVI AND 48.—ARMY—*concld.*

| | Actuals, 1918-19. | Actuals, 1919-20. | Actuals, 1920-21. | 1921-22. Budget. | 1921-22. Revised. | 1922-23. Budget. |
|---|---|---|---|---|---|---|
| EXPENDITURE—*concld.* | £ | £ | £ | £ | £ | £ |
| England—Effective services—Brought forward | | | 3,288,534 | 3,963,300 | 5,024,000 | 5,040,100 |
| Royal Air Force— | | | | | | |
| (1) Payments to the Air Ministry in respect of British Forces serving in India | | | 100,000 | 50,000 | 100,000 | 100,000 |
| (2) Special expenditure on account of families of British airmen—Marriage allowances and allotments | | | ... | ... | 44,000 | 40,000 |
| (3) Purchase of Aviation stores | | | ... | 225,000 | 234,000 | 157,000 |
| | | | 100,000 | 275,000 | 378,000 | 297,000 |
| Stock Account—Purchase of stores— | | | | | | |
| (1) Supply and Transport | | | 86,000 | 97,700 | 65,000 | 50,100 |
| (2) Medical and Surgical Instruments | | | 630,180 | *200,000* | *125,000* | *124,000* |
| (3) Clothing Stores | | | ... | 200,000 | ... | 70,000 |
| (4) Ordnance Equipment and General Stores | | | 1,390,810 | *250,000* | *695,000* | *616,000* |
| (5) Mechanical Transport | | | 585,522 | 320,000 | 655,000 | 380,000 |
| (6) Animals | | | 3,385 | 7,800 | 7,800 | 7,000 |
| | | | 2,395,847 | 1,075,500 | 1,747,800 | 1,441,100 |
| Special Services— | | | | | | |
| North-West Frontier, 1919—Purchase of Stores | | | 899,104 | ... | 264,000 | ... |
| Miscellaneous— | | | | | | |
| (A) Transport of troops and conveyance of stores— | | | | | | |
| (1) Indian Troop Service | | | 904,315 | 900,000 | 774,800 | 925,700 |
| (2) Other Sea Transport charges | | | 500 | 500 | | |
| (B) Miscellaneous—Sundry charges | | | 144,937 | 66,200 | 218,200 | 113,000 |
| | | | 1,049,752 | 966,700 | 993,000 | 1,038,700 |
| TOTAL—EFFECTIVE £ | 2,414,118 | 3,563,204 | 7,733,237 | 6,280,500 | 8,406,800 | 7,816,900 |
| NON-EFFECTIVE SERVICES | | | | | | |
| Non-effective Charges and Pensions— | | | | | | |
| (1) Payments to War Office for Retired Pay, etc., of British Forces for service in India | | | 1,008,240 | 611,100 | 1,062,000 | 1,068,000 |
| (2) Payments to Non-effective and Retired Officers of the Indian Service | | | 1,776,677 | 1,825,000 | 1,865,000 | 1,900,000 |
| (3) Indian Military Service Family Pensions | | | 187,389 | 200,000 | 190,000 | 190,000 |
| (4) Other Pensions, etc. | | | 213,839 | 215,500 | 242,500 | 244,700 |
| (5) Gratuities to Surplus Officers under Demobilisation | | | ... | ... | ... | 350,000 |
| TOTAL—NON-EFFECTIVE £ | 2,503,784 | 2,983,160 | 3,186,145 | 2,849,600 | 3,359,500 | 3,752,700 |
| TOTAL ENGLAND £ | 4,917,902 | 6,546,364 | 10,919,382 | 9,130,100 | 11,766,300 | 11,569,600 |
| TOTAL ENGLAND R | 4,91,79,020 | 6,54,63,640 | 10,91,93,820 | 9,13,01,000 | 11,76,63,000 | 11,56,96,000 |
| TOTAL EXPENDITURE R | 61,75,19,893 | 79,70,88,469 | 81,29,03,937 | 60,31,71,000 | 65,00,93,000 | 61,70,83,000 |
| RECEIPTS. | | | | | | |
| India R | 2,86,37,915 | 3,04,08,631 | 5,14,95,044 | 3,48,00,000 | 4,40,57,000 | 4,24,81,000 |
| England £ | 266,581 | 294,386 | 364,866 | 336,700 | 2,213,100 | 938,000 |
| England R | 26,65,810 | 29,43,860 | 36,48,660 | 33,67,000 | 2,21,31,000 | 93,80,000 |
| TOTAL RECEIPTS R | 2,63,03,725 | 3,33,52,491 | 5,51,43,704 | 3,81,67,000 | 6,61,88,000 | 5,18,61,000 |
| TOTAL NET EXPENDITURE India R | 54 47,02,958 | 70,12,16,198 | 65.22,15 073 | 47.70 70.000 | 48.83,73.000 | 45.88.56.000 |
| TOTAL NET EXPENDITURE England R | 4,65,13.210 | 6,25,19,780 | 10,55,45,160 | 8,79.34,000 | 9,55,32,000 | 10,68,16,000 |
| TOTAL NET EXPENDITURE TOTAL R | 59,12,16,168 | 76,37,35,978 | 75,77,60,233 | 56,50,04,000 | 58,39,05,000 | 56,51,72,000 |

*Revised, 1921-22, compared with Budget, 1921-22.*

63. The net Army Expenditure in 1921-22 is now estimated at R58,39·05 lakhs against a Budget provision of R56,50·04 lakhs. Of the excess of R1,89·01 lakhs, R1,13·03 lakhs occurs in expenditure in India and R75·98 lakhs in England.

*India*

64. The increase of R1,13·03 lakhs in India is the net result of several variations up and down, the more important of which are given below :—

(Lakhs of Rupees.)

| | | |
|---|---|---|
| | *Increase.* | |
| (*i*) | Increase in expenditure on Waziristan and Wano (including Datta Khel) occupation and operations, due to the extended scale of operations set up in the concluding months of 1920-21 | 3,75 |
| (*ii*) | Larger rail and road transport charges, consequent on demobilization of surplus troops, abnormal internal movements of troops and stores due to military operations in Malabar and civil disturbances in other parts of the country, and also increase in rail fares | 1,77 |
| (*iii*) | Increase in prices of food-stuffs and other consumable military stores | 1,60 |
| (*iv*) | Increase in non-effective and pension charges, due to payment of mustering out pensions and gratuities to surplus Indian Troops discharged | 25 |
| (*v*) | Higher expenditure on the Auxiliary and Territorial Forces | 20 |
| (*vi*) | Arrear expenditure connected with Frontier operations of 1919-20 | 17 |
| (*vii*) | Expenditure connected with the visit of His Royal Highness the Prince of Wales | 15 |
| | | 7,89 |
| | *Decrease.* | |
| (*i*) | Smaller purchases of Ordnance, Clothing and Supply and Transport stores, the requirements being met partly from stocks paid for by India before 1st April 1921 | 3,80 |
| (*ii*) | Short strength of British troops | 1,35 |
| (*iii*) | Short strength of Reservists of fighting and Administrative services and stoppage of their training | 45 |
| (*iv*) | Savings in expenditure on the Royal Air Force | 15 |
| (*v*) | Reduction due to recoveries from British soldiers and airmen in India on account of family allotments paid in England being compiled by deduction from expenditure in India, instead of being adjusted through a Remittance head outside the Revenue accounts | 68 |
| (*vi*) | Recovery from His Majesty's Government of part of cost of staffs at Army, Command, District and Brigade Headquarters in India | 26 |
| | | 6,69 |
| | Net increase | 1,20 |

*England.*

65. The principal items contributing to the excess of £759,800 are :—

| | | |
|---|---|---|
| | *Increase.* | |
| (*i*) | Marriage allowances and allotments to families of British soldiers and airmen, including arrears for 1920-21—a new item—(Recoveries in India of allotments made by British soldiers and airmen are now treated as reduction of Army expenditure) | 1,050,000 |
| (*ii*) | Larger outlay on stores, due chiefly to liabilities brought forward from previous years | 570,700 |
| (*iii*) | Arrear payments for stores purchased in connection with Frontier operations of 1919-20 | 264,000 |
| (*iv*) | Increase in pension charges | 302,900 |
| (*v*) | Larger payments to the Air Ministry in respect of Royal Air Force personnel serving in India, due to an increase in the capitation rate | 50,000 |
| (*vi*) | Arrear charges connected with the Indian contingent at the peace celebration ceremonies in London | 94,000 |
| | | 2,331,600 |

*Decrease.*

| | |
|---|---|
| (*i*) Arrear receipt from War Office of contribution for ordinary pensionary charges of Indian troops serving in overseas theatres in 1919-20 and 1920-21 | 1,030,000 |
| (*ii*) Receipt from the War Office of a lump sum in part settlement of certain outstanding war transactions | 500,000 |
| (*iii*) Smaller Indian Troop service and sea transport charges | 125,700 |
| | 1,655,700 |
| Net increase | 675,900 |

*Budget, 1922-23.*

66. Of the sum of R62·18 crores allotted in the Budget for 1922-23 to meet the net expenditure on Military services, R56,51·72 lakhs will be available for expenditure under the "Army" head, made up of R45,88·56 lakhs for expenditure in India and R10,63·16 lakhs in England.

*Budget, 1922-23, compared with Budget, 1921-22.*

67. As compared with Budget, 1921-22, there is decrease of R1,82·14 lakhs in India, but an increase of R1,83·82 lakhs in England, or a net increase of R1·68 lakhs.

*India.*

68. The decrease of R1,82·14 lakhs is the net effect of the main variations mentioned below:—

(In lakhs of rupees.)

*Decrease.*

| | |
|---|---|
| (*i*) Consumption of stores from stocks paid for before 1st April 1922 | 1,00 |
| (*ii*) Savings allowed for anticipated shortage of British troops | 64 |
| (*iii*) Temporary reduction in establishments of combatant and animal transport reservists | 48 |
| (*iv*) Smaller provision for purchase of new equipment | 1,00 |
| (*v*) Omission of provision for charges of surplus troops, an abnormal item in India in 1921-22 | 1,00 |
| (*vi*) Smaller provision for conversion of Silladar Cavalry Regiments into non-silladar basis, the change having taken place mostly in 1921-22 | 35 |
| (*vii*) Smaller provision for extraordinary expenditure in Waziristan | 77 |
| (*viii*) Reduction in expenditure due to recoveries from British soldiers and airmen in India on account of family allotments paid in England | 54 |
| (*ix*) Reduction in the scales of forage for horses and mules and other economies in establishments, etc. effected by the Administrative authorities | 38 |
| (*x*) Receipt on account of sale proceeds of surplus stores | 33 |
| (*xi*) Recovery from His Majesty's Government of part of cost of Staffs at Army, Command, Brigade and District Headquarters | 13 |
| (*xii*) Reorganization of Artillery | 9 |
| | 6,71 |

*Increase.*

| | |
|---|---|
| (*i*) Increase in prices of food stuffs and other consumable military stores over the scale adopted in Budget, 1921-22 | 1,83 |
| (*ii*) Higher scale of rail and road transport charges | 1,33 |
| (*iii*) Increase in non-effective and pension charges, due partly to provision for the grant of disability pensions for Indian troops and partly to growth in liabilities | 77 |
| (*iv*) Rise in the expenditure on the Auxiliary Force | 32 |
| (*v*) Expansion of the Territorial Force | 35 |
| (*vi*) Miscellaneous new demands, *e.g.*, grant of deferred pay to Indian ranks, improvement in the conditions of service of Military Sub-Assistant Surgeons | 12 |
| (*vii*) Larger expenditure for Aden | 10 |
| | 4,82 |
| Net decrease | 1,89 |

*England.*

69. The principal items making up the increase of £1,838,200 are :—

| | £ |
|---|---|
| (*i*) A non-recurring payment of gratuities to surplus officers of the Indian Army on demobilization | 350,000 |
| (*ii*) Marriage allowances and allotments to families of British soldiers and airmen in India—a new item | 832,000 |
| (*iii*) Outlay on stores, chiefly throw forwards from 1921-22 and previous years | 311,700 |
| (*iv*) Indian troop service and other sea transport charges, due to passage concessions to British officers and soldiers and their families | 25,200 |
| (*v*) Increase in pension charges | 448,600 |
| (*vi*) Non recurring payment to the war office in respect of exchange concession in connection with the issue of sterling war gratuities granted to British officers and men present in India or Mesopotamia on 4th August 1919 | 250,000 |
| (*vii*) Higher payments of furlough allowances and voyage pay to officers, etc. of the British and Indian services | 140,500 |
| (*viii*) Larger payment to the Air Ministry in respect of Royal Air Force personnel serving in India, due to an increase in the capitation rate | 50,000 |
| | 2,408,000 |
| Partly counterbalanced by decreases due to :— | |
| (*i*) Receipt from the war office of a lump sum in final settlement of outstanding war transactions | 394,500 |
| (*ii*) Smaller payment to the war office in respect of British Forces serving in India | 198,000 |
| | 592,500 |
| | 1,815,500 |

*Budget, 1922-23, compared with Revised, 1921-22.*

70. As compared with the Revised Estimate, 1921-22 there is a decrease of ₹1,87·33 lakhs which is made up of a decrease of ₹2,95·17 lakhs in India and an increase of ₹1,07·84 lakhs in England.

## XXXVII AND 49—MARINE.

| | | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | Budget, 1922-1923. |
|---|---|---|---|---|---|---|---|
| EXPENDITURE. | | | | | | | |
| India | ₹ | 81,72,523 | 72,40,320 | 83,20,180 | 69,97,000 | 91,64,000 | 87,44,000 |
| England | £ | 582,811 | 889,655 | 573,488 | 294,200 | 392,900 | 465,200 |
| | ₹ | 58,28,110 | 88,96,550 | 57,34,880 | 29,42,000 | 39,29,000 | 46,52,000 |
| Total Expenditure | ₹ | 1,40,00,633 | 1,61,36,870 | 1,40,55,060 | 99,39,000 | 1,30,93,000 | 1,33,96,000 |
| RECEIPTS. | | | | | | | |
| India | ₹ | 60,86,575 | 40,72,325 | 79,56,768 | 14,13,000 | 46,67,000 | 20,23,000 |
| NET EXPENDITURE—India | ₹ | 20,85,948 | 31,67,995 | 3,63,412 | 55,84,000 | 44,97,000 | 67,21,000 |
| NET EXPENDITURE—England | ₹ | 58,28,110 | 88,96,550 | 57,34,880 | 29,42,000 | 39,29,000 | 46,52,000 |
| NET EXPENDITURE—Total | ₹ | 79,14,058 | 1,20,64,545 | 60,98,292 | 85,26,000 | 84,26,000 | 1,13,73,000 |

*Revised, 1921-22, compared with Budget, 1921-22.*

71. A reduction of ₹1 lakh is now anticipated in 1921-22 as compared with the Budget Estimate.

*Budget, 1922-23, compared with Budget, 1921-22.*

72. Budget for 1922-23 has been taken at ₹1,13·73 lakhs against ₹85·26 lakhs in Budget for 1921-22. The increase of ₹28·47 lakhs is mainly due to higher outlay on purchase of coal and other stores (₹11·21 lakhs), provision of a station ship at Aden (₹5·10 lakhs), improvement in the conditions of service of officers and men (₹4·50 lakhs), reconditioning and maintenance of a sloop and two P.C. boats (₹5·80 lakhs) and to provision of underground mains for electric power in the Royal Indian Marine Dockyard at Bombay (₹1·15 lakhs).

*Budget, 1922-23, compared with Revised, 1921-22.*

73. Budget for 1922-23 is more than the Revised Estimate for 1921-22 by ₹29·47 lakhs.

## XXXVIII AND 50—MILITARY WORKS.

| | | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | 1922-1923, Budget. |
|---|---|---|---|---|---|---|---|
| **ORDINARY.** | | | | | | | |
| EXPENDITURE. | | | | | | | |
| India | R | 2,65,70,906 | 3,66,89,697 | 2,39,83,740 | 4,84,80,000 | 5,09,80,000 | 4,63,00,000 |
| England | £ | 17,747 | 31,079 | 46,977 | 1,52,000 | 130,500 | 48,500 |
| | R | 1,77,470 | 3,10,790 | 4,69,779 | 15,20,000 | 13,05,000 | 4,85,000 |
| TOTAL | R | 2,67,48,376 | 3,70,00,487 | 2,44,53,519 | 5,00,00,000 | 5,22,85,000 | 4,67,85,000 |
| RECEIPTS. | | | | | | | |
| India | £ | 15,26,377 | 16,27,429 | 16,86,464 | 15,30,000 | 15,30,000 | 15,30,000 |
| Net expenditure, Ordinary | R | 2,52,21,999 | 3,53,73,058 | 2,27,67,055 | 4,84,70,000 | 5,07,55,000 | 4,52,55,000 |
| **SPECIAL DEMANDS.** | | | | | | | |
| EXPENDITURE. | | | | | | | |
| India | R | 1,61,16,817 | 2,14,41,217 | 3,01,08,955 | .... | ... | ... |
| England | £ | 31,676 | 86,530 | 80,278 | ... | ... | ... |
| | R | 3,16,760 | 8,65,300 | 8,02,780 | ... | ... | ... |
| TOTAL | R | 1,64,33,577 | 2,23,06,517 | 3,09,11,735 | ... | ... | ... |
| TOTAL NET EXPENDITURE. India | R | 4,11,61,346 | 5,65,03,485 | 5,24,06,231 | 4,69,50,000 | 4,94,50,000 | 4,47,70,000 |
| England | R | 4,94,230 | 11,76,090 | 12,72,559 | 15,20,000 | 13,05,000 | 4,85,000 |
| TOTAL | R | 4,16,55,576 | 5,76,79,575 | 5,36,78,790 | 4,84,70,000 | 5,07,55,000 | 4,52,55,000 |

74. The increase of R22·85 lakhs in the net expenditure as compared with the Budget provision in 1921-22 is due to larger outlay in Waziristan which is now likely to amount to R60 lakhs against R55 lakhs provided in Budget, 1921-22, larger supply of equipment and furniture to station and family hospitals and to Indian troops, and to expenditure connected with the visit of His Royal Highness the Prince of Wales. *Revised, 1921-22, compared with Budget, 1921-22.*

75. Of the net grant of R62·18 crores for Military services for 1922-23 it is proposed to allot R4,52·55 lakhs to Military Works Services. This provision includes R40 lakhs on account of abnormal expenditure in Waziristan. The decrease of R32·15 lakhs as compared with Budget provision for 1921-22 represents a reduction in the scale of works in India and Waziristan. *Budget, 1922-23, compared with Budget, 1921-22.*

76. Budget for 1922-23 falls short of the Revised Estimate for 1921-22 by R55 lakhs. Of this decrease, R20 lakhs occurs under special expenditure in Waziristan and the balance in outlay on normal works. *Budget, 1922-23, compared with Revised, 1921-22.*

## MILITARY SERVICES: SUMMARY.

| | | Actuals, 1918-1919. | Actuals, 1919-1920. | Actuals, 1920-1921. | 1921-1922. Budget. | 1921-1922. Revised. | Budget, 1922-1923. |
|---|---|---|---|---|---|---|---|
| EXPENDITURE. | | | | | | | |
| India . . | R | 61,92,01,119 | 79,69,96,063 | 76,61,22,992 | 56,73,47,000 | 59,25,74,000 | 55,63,81,000 |
| England . . | £ | 5,550,136 | 7,553,628 | 11,620,125 | 9,576,300 | 12,289,700 | 12,083,300 |
| | R | 5,55,01,360 | 7,55,36,280 | 11,62,01,259 | 9,57,63,000 | 12,28,97,000 | 12,08,33,000 |
| Total Expenditure | R | 67,47,02,479 | 87,25,32,343 | 88,23,24,251 | 66,31,10,000 | 71,54,71,000 | 67,72,14,000 |
| RECEIPTS. | | | | | | | |
| India . . | R | 3,12,50,867 | 3,61,08,385 | 6,11,38,276 | 3,77,43,000 | 5,02,54,000 | 4,60,34,000 |
| England . . | £ | 266,581 | 294,386 | 364,866 | 336,700 | 2,213,100 | 938,000 |
| | R | 26,65,810 | 29,[illegible],860 | 36,48,660 | 33,67,000 | 2,21,31,000 | 93,80,000 |
| Total Receipts . | R | 3,39,16,677 | 3,90,52,245 | 6,47,86,936 | 4,11,10,000 | 7,23,85,000 | 5,54,14,000 |
| NET EXPENDITURE India | R | 58,79,50,252 | 76,08,87,678 | 70,49,84,716 | 52,96,04,000 | 54,23,20,000 | 51,03,47,000 |
| NET EXPENDITURE England | R | 5,28,35,550 | 7,25,92,420 | 11,25,52,599 | 9,33,96,000 | 10,07,66,000 | 11,14,53,000 |
| NET EXPENDITURE Total | R | 64,07,85,802 | 83,34,80,098 | 81,75,37,315 | 62,20,00,000 | 64,30,86,000 | 62,18,00,000 |

*Revised, 1921-22, compared with Budget, 1921-22.*

77. The net expenditure on Military services in 1921-22 is likely to exceed the Budget provision of R62·20 crores by R2,10·86 lakhs. This excess is chiefly made up of about R3,80 lakhs on account of abnormal expenditure in Waziristan, R1,64 lakhs on account of larger rail, road and sea transport charges, R1,60 lakhs representing increase in prices of foodstuffs and other consumable stores. R30 lakhs on account of rise in pension charges in England, R43 lakhs which is an arrear liability in connection with the Frontier operations of 1919-20, R57 lakhs an arrear payment in England for stores purchased for India in previous years, R37 lakhs for payment of marriage allowances to families in England of British personnel serving in India, R20 lakhs for growth in expenditure on the Auxiliary and Territorial Forces, R20 lakhs being extra expenditure in connection with the visit of His Royal Highness the Prince of Wales to India and R25 lakhs due to payment of mustering out pensions to Indian troops. On the other hand, there were counterbalancing decreases due to consumption of stores to the extent of R3,80 lakhs from stocks paid for before 1st April 1921, and to shortage in establishments of British troops, Royal Air Force and Indian reservists which will produce a saving of R1,95 lakhs. There were also non-recurring receipts from the War Office of R50 lakhs in part settlement of certain outstanding transactions during the war period and of R103 lakhs on account of contribution for ordinary pension charges of Indian troops serving overseas in 1919-20 and 1920-21.

*Budget, 1922-23, compared with Budget, 1921-22.*

78. It is proposed to allot a grant of R62·18 crores for net expenditure on Military services in 1922-23 including R2,13 lakhs on account of special expenditure in Waziristan. There is a decrease of R2 lakhs only as compared with the Budget provision for 1921-22 but there are large variations under several heads, the more important being smaller outlay in Waziristan (R92 lakhs), smaller purchases of new equipment (R100 lakhs), smaller provision for surplus officers and personnel (R65 lakhs), and for cost of conversion of silladar cavalry regiments to non-silladar basis (R35 lakhs); savings resulting from consumption of stores from stocks (R100 lakhs) and from shortage in establishments of British troops and Indian reservists (R112 lakhs),

receipt from the War Office in final settlement of certain outstanding transactions during the war period (R39 lakhs), reduction in the grant for normal Military works (R17 lakhs) and various miscellaneous economies in establishments, etc., effected by the administrative authorities (R38 lakhs); these decreases being partly counterbalanced by increase in prices of foodstuffs and consumable military stores (R1,53 lakhs), larger rail, road and sea transport charges (R1,36 lakhs), increase in pension charges (R1,22 lakhs), growth in expenditure on the Auxiliary and Territorial Forces (R67 lakhs), marriage allowances to families of British personnel paid in England (R29 lakhs), provision for final payment to War Office in respect of Indian liability for exchange concession in connection with the issue of sterling war gratuities granted to British officers and men present in India or Mesopotamia on the 4th August 1919 (R25 lakhs); provision for miscellaneous new demands by the administrative authorities chiefly for improvement in pay and prospects of Indian establishments (R12 lakhs), and larger Marine services and supplies (R28 lakhs).

*Budget, 1922-23, compared with Revised, 1921-22.*

79. The proposed net grant for expenditure on Military services in 1922-23 is less than the Revised estimate for 1921-22 by R2,12·86 lakhs.

## WAYS AND MEANS.

### HOME TREASURY.

79. The bulk of the payments made in England on account of the Government of India consists normally of expenditure chargeable to the Indian revenues; and if such payments represented the only transactions, the Ways and Means programme would be a simple arrangement, as the whole of the expenditure would ordinarily be met by remittance of funds from India. The capital outlay on the construction of railways, however, necessitates heavy borrowing and a large portion of the money required has, when practicable, been raised in England, either direct or through the agency of Companies. Operations connected with the Gold Standard and Paper Currency Reserves, and with the replacement of one particular form or item of direct or indirect debt by another, also largely swell the receipts and charges of the Home treasury without affecting ordinarily the general Ways and Means programme.

80. The items mentioned in the preceding paragraph constitute the bulk of the transactions of the Home treasury in normal years. The conditions created by the war led however to certain abnormal transactions which affected the Ways and Means position to a considerable extent from 1915-16 onwards. Large sums were being received in England from the Imperial Government in repayment of expenditure incurred on their behalf in India. These indirect remittances from India have in recent years very largely increased the resources of the Home treasury and reduced the need for direct remittances by Councils to finance its requirements.

81. The following is a summary of the transactions appearing in the Budget and Revised estimates of the Home Treasury for 1921-22, and in the Budget estimate of 1922-23 :—

| | Budget, 1921-22. | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|---|
| RECEIPTS. | | | |
| (1) Capital contributed by Railway Companies— | £ | £ | £ |
| For discharge of debentures | ... | 400,000 | 175,000 |
| (2) Deposits and Advances | 718,800 | 81,500 | —82,400 |
| (3) Remittance Account between England and India— | | | |
| (*a*) War transactions: Recoveries from War Office | 17,910,000 | 10,563,300 | 5,600,000 |
| (*b*) Postal and Money Order transactions | 8,500,000 | 9,030,000 | 9750,000 |
| (*c*) Recoveries on account of drawings by Iraq administration on India | ... | 5,063,000 | 6,000,000 |
| (*d*) Transfer to Home Treasury from Gold Standard Reserve | 2,500,000 | ... | 10,500,000 |
| (*e*) ,, ,, ,, Paper Currency Reserve | 8,350,000 | 2,498,500 | 5,846,800 |
| (*f*) Other transactions | —58,700 | 2,146,100 | 1,498,100 |
| Total Receipts, excluding Council Bills and Loans | 37,920,100 | 29,782,400 | 30,287,500 |
| DISBURSEMENTS. | | | |
| (4) Excess of Expenditure of the Central Government over Revenue | 26,395,500 | 28,001,600 | 30,338,800 |
| (5) Expenditure incurred on behalf of Provincial Governments | 3,254,200 | 2,653,900 | 2,394,400 |
| (6) Capital Expenditure not charged to Revenue— | | | |
| (*a*) Outlay on State Railways | 14,328,300 | 13,731,900 | 18,460,000 |
| (*b*) Outlay on Irrigation Works and Delhi | 297,200 | 200,000 | 181,000 |
| Total Disbursements | 44,275,200 | 44,587,400 | 51,374,200 |
| NET DISBURSEMENTS | 6,355,100 | 14,805,000 | 21,086,700 |
| *Financed as follows—* | | | |
| Debt incurred | 5,000,000 | 14,600,000 | 18,328,200 |
| Reduction of cash balance | 1,355,100 | 205,000 | 2,758,500 |
| Total | 6 355,100 | 14,805,000 | 21,086,700 |
| Opening Balance | 6,001,900 | 7,209,800 | 7,004,800 |
| Closing Balance | 4,646,800 | 7,004,800 | 4,246,300 |

82. The Revised estimate for the current year provides for a total disbursement by the Secretary of State and the High Commissioner for India of £44·6 millions, the main items being (*i*) £28 millions on account of net expenditure of the Central Government in England in excess of revenue, (*ii*) £2·7 millions representing expenditure on behalf of Provincial Governments chargeable to their balances on deposit with the Central Government in India, and (*iii*) £13·7 millions on account of Railway capital outlay. *Revised, 1921-22.*

83. Apart from public borrowings, the resources available for meeting the above disbursements total £29·8 millions, namely, (*i*) £10·6 millions recovered from the War Office on account of disbursements made on their behalf in India and Mesopotamia ; (*ii*) £9 millions on account of recoveries made in England in respect of money orders paid in India on behalf of foreign countries, inclusive of about £8 millions on account of arrear recoveries from the Mesopotamian Government ; (*iii*) £5·1 millions recovered from the Colonial Office against drawings by the High Commissioner of Mesopotamia which have been met in India ; (*iv*) £2·5 millions obtained by the sale of British treasury bills held by the Secretary of State on behalf of the Paper Currency Reserve against an equivalent transfer to the Reserve in India ; and (*v*) £2·6 millions representing various miscellaneous receipts. The main items included in the last mentioned receipts are (*a*) £1·4 millions representing the assets of the Gold Standard Reserve in excess of £40 millions which are realised in England but are applicable in India to the reduction of created securities in the Paper

Currency Reserve, (*b*) £0·8 million being subscriptions received in sterling to the last rupee loan, and (*c*) £0·4 million expected from a new issue of £450,000 debentures of the Bengal Nagpur Railway Company.

84. The disbursements mentioned above exceed the resources by £14·8 millions, and the deficiency was met almost entirely from public borrowings. The Secretary of State floated two sterling loans in the current year, a 7 per cent. loan for £7½ millions in April and a 5½ per cent. loan for £10 millions in December; about £2¼ millions of the latter will be left over for realisation in the coming year and the receipts during the current year from the two loans will amount to £14·6 millions. The Secretary of State will obtain the balance of his requirements from his cash balances which will stand at £7 millions on the 31st March 1922 against £7·2 millions at the beginning of the year.

85. The broad variations in the above programme from that contemplated in the Budget are as follows. The disbursements in England show an excess of £0·3 million owing to an increase in the net revenue expenditure on behalf of the Central Government, and the recoveries from the War and Colonial Offices will fall short of the Budget by £1·8 millions owing to a reduction in the disbursements on their behalf in India and Mesopotamia. On the other hand, the miscellaneous receipts in England will be more than Budget anticipations by nearly £2 millions, due mainly to receipts on account of the rupee loan and an increase in the interest on Paper Currency Reserve investments owing to a smaller withdrawal of British Treasury Bills from the Reserve for the Secretary of State's treasury requirements. The receipts from sterling borrowings were also £9·6 millions in excess of the Budget programme. The increased resources totalling £9½ millions enabled the Secretary of State to reduce his withdrawals from the Paper Currency and Gold Standard Reserves from the figure of £10·9 millions contemplated in the Budget to £2·5 millions and to close the year with a cash balance of £7 millions.

*Budget, 1922-23.*

86. The disbursements by the Secretary of State and the High Commissioner in the coming year are now estimated at £51·4 millions, namely, excess of expenditure of the Central Government over revenue £30·3 millions, expenditure on behalf of Provincial Governments £2·4 millions, Railway capital outlay £18·5 millions and capital outlay on Irrigation works and Delhi £0·2 million.

87. It is expected that the Secretary of State will recover £5·6 millions from the War Office and £6 millions from the Colonial Office on account of disbursements on their behalf in India and Mesopotamia, and £0·8 millions in respect of money order payments in India on behalf of other countries. He will also obtain £1·6 millions from various miscellaneous receipts, of which the more important are about £2 millions representing the assets of the Gold Standard Reserve in excess of £40 millions which are applicable to the reduction of created securities in India, and £0·8 million received in England in respect of proceeds of opium sold in India to foreign countries, partly set off by £2·1 millions payable to the Disposal and Liquidation Commissioners of the Home Government on account of the sale proceeds of surplus stores realised in India. The resources mentioned aggregate £13·9 millions, leaving £37·5 millions to be found in other ways.

88. The estimates provide for the deficiency in resources amounting to £37·5 millions being found (*i*) to the extent of £18·3 millions by sterling borrowings of which about £2¼ millions represent the amount remaining to be realised out of the loan of £10 millions floated in December last and the balance will be obtained by fresh borrowings in the course of next year, (*ii*) by the withdrawal of £5·9 millions from the Paper Currency Reserve and £10½ millions from the Gold Standard Reserve against corresponding payments to the Reserves in India, and (*iii*) to the extent of £2·8 millions by a reduction of the cash balances from £7 millions at the beginning of 1922-23 to £4·2 millions at its end.

89. The estimates contain no provision for the sale of Council Bills, but the Secretary of State reserves the discretion to sell them should this course

be necessary and expedient ; similarly, the figures mentioned above in regard to sterling borrowings and transfers from the Reserves are mainly illustrative, and discretion is reserved to vary these amounts according to circumstances during the year.

90. The following are the details of the transactions of the Gold Standard Reserve in England :— *1921-22 and 1922-23. Gold Standard Reserve.*

| | 1921-22. | | 1922-23. |
|---|---|---|---|
| | Budget. | Revised. | Budget. |
| RECEIPTS. | £ | £ | £ |
| (*a*) Dividends on investments, discount on treasury bills, etc. . . | 1,533,500 | 1,673,900 | 1,984,100 |
| (*b*) British Government securities, etc., paid off . . . . | 114,100,300 | 92,514,400 | 118,850,100 |
| Total . | 115,633,800 | 94,188,300 | 120,834,200 |
| CHARGES. | | | |
| Investments . . . . | 113,133,800 | 92,769,600 | 108,350,100 |
| Appropriation for the reduction of created securities in the Paper Currency Reserve . . . | ... | 1,418,700 | 1,984,100 |
| Transfer to Treasury Balances . | 2,500,000 | .. | 10,500,000 |
| Total . | 115,633,800 | 94,188,300 | 120,834,200 |

91. The following statement shows the transactions and balances of the Reserve in the two years in England and India taken together :—

| | Budget, 1921-22. | Revised, 1921-22 | Budget, 1922-23. |
|---|---|---|---|
| | £ | £ | £ |
| OPENING BALANCE— | | | |
| (*a*) Invested (cost price) . . . | 39,373,400 | 39,154,300 | 39,409,500 |
| (*b*) Uninvested— | | | |
| Cash in the Home treasury placed at short notice . . | 600 | 4,900 | 4,900 |
| | 39,374,000 | 39,159,200 | 39,414,400 |
| CLOSING BALANCE— | | | |
| In England— | | | |
| (*a*) Invested (cost price) . . . | 38,406,900 | 39,409,500 | 28,909,500 |
| (*b*) Uninvested— | | | |
| Cash at the Bank of England . | 600 | 4,900 | 4,900 |
| (*c*) Cash in India . . . | 2,500,000 | ... | 10,500,000 |
| | 40,907,500 | 39,414,400 | 39,414,400 |
| Difference between opening and closing balances representing Interest, etc., on investments in England *less* appropriation for the reduction of created securities in the Paper Currency Reserve, (*vide* paragraph 90) | 1,533,500 | 255,200 | ... |

## INDIA.

92. The following is a summary of the estimates of Ways and Means in India during 1921-22 and 1922-23 :—

| | Budget Estimate, 1921-1922. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. |
|---|---|---|---|
| RECEIPTS. | R | R | R |
| 1. Excess of Revenue of the Central Government over Expenditure charged to Revenue | 26,10,55,000 | —79,04,000 | 21,17,60,000 |
| 2. Capital contributed by Railway Companies towards outlay on State Railways | ... | 19,65,000 | 8,75,000 |
| 3. Unfunded Debt incurred— | | | |
| (a) Post Office Cash Certificates (net) | —60,00,000 | —43,44,000 | —2,00,00,000 |
| (b) Savings Bank deposits (net) | 4,74,66,000 | 4,88,19,000 | 5,07,15,000 |
| 4. Other Deposits and Remittances (net)— | | | |
| (a) War Stores—Suspense | 3,20,00,000 | 2,76,00,000 | ... |
| (b) Exchange on Remittance Accounts | 5,44,91,000 | 11,87,97,000 | 11,56,99,000 |
| (c) Appropriation for reduction of created securities in the Paper Currency Reserve | 4,31,40,000 | 3,37,00,000 | 11,14,46,000 |
| (d) Other transactions | 47,46,000 | —3,77,38,000 | 1,90,09,000 |
| TOTAL RECEIPTS EXCLUDING LOANS | 43,68,98,000 | 18,08,95,000 | 48,95,04,000 |
| DISBURSEMENTS. | | | |
| 5. Capital Expenditure not charged to Revenue— | | | |
| (a) State Railways | 3,48,73,000 | 9,94,40,000 | 11,54,00,000 |
| (b) Irrigation Works | 2,09,000 | 3,35,000 | 2,69,000 |
| (c) Posts and Telegraphs | ... | 1,28,06,000 | 1,45,00,000 |
| (d) Initial expenditure on new Capital at Delhi | 78,22,000 | 1,22,95,000 | 1,81,90,000 |
| 6. Permanent Debt discharged (net) | 2,12,07,000 | 1,99,69,000 | 2,10,89,000 |
| 7. Temporary Debt discharged — | | | |
| (a) Treasury bills issued to the public (net) | ... | —9,67,00,000 | 11,00,00,000 |
| (b) " " " Paper Currency Reserve (net) | 4,31,40,000 | 3,37,00,000 | 11,14,46,000 |
| (c) Other temporary debt discharged (net) | 16,10,29,000 | 19,11,31,000 | 7,80,00,000 |
| *8. Balances of Provincial Governments | 2,45,99,000 | 1,60,00,000 | 1,96,00,000 |
| 9. Loans to Provincial Governments (net) | 1,19,56,000 | 5,92,00,000 | 5,50,00,000 |
| 10. Loans to Native States, etc. (net) | —18,23,000 | 2,72,000 | —9,74,000 |
| 11. Remittance account between England and India— | | | |
| (a) Transfers through Currency | 8,35,00,000 | 2,49,85,000 | 5,84,68,000 |
| (b) Transfers through Gold Standard Reserve | 2,50,00,000 | ... | 10,50,00,000 |
| (c) Drawings by the Iraq administration recoverable in England | ... | 5,62,95,000 | 6,00,00,000 |
| (d) Disbursements on behalf of the War Office (net) | 18,91,00,000 | 11,29,00,000 | 4,38,00,000 |
| (e) Other transactions (net) | —6,21,000 | 4,38,58,000 | 1,81,91,000 |
| TOTAL DISBURSEMENTS | 59,99,91,000 | 58,64,66,000 | 82,79,79,000 |
| NET DISBURSEMENTS | 16,30,93,000 | 40,55,71,000 | 33,84,75,000 |
| FINANCED AS FOLLOWS: | | | |
| Debt incurred | 15,00,00,000 | 49,20,24,000 | 25,00,00,000 |
| Reduction of (+) or addition to (—) Treasury Balances | 1,30,93,000 | - 8,64,53,000 | 8,84,75,000 |
| TOTAL | 16,30,93,000 | 40,55,71,000 | 33,84,75,000 |
| Opening Balance | 16,37,19,000 | 13,83,57,000 | 22,48,10,000 |
| Closing Balance | 15,06,26,000 | 22,48,10,000 | 13,63,35,000 |

* Head (8) represents expenditure defrayed by reduction of Provincial balances.

93. The following table shows the estimates of total capital outlay of the Central Government, net expenditure of the Central Government charged to revenue, and net transactions of Provincial Governments in the current and next years, and their distribution between India and England :—

(In lakhs of rupees.)

| | Revised, 1921-22. | | | Budget, 1922-23. | | |
|---|---|---|---|---|---|---|
| | India inclusive of adjustment for exchange. | England. | Total. | India inclusive of adjustment for exchange. | England. | Total. |
| (*i*) Capital outlay not charged to revenue— | | | | | | |
| (*a*) Railways. . . | 9,94 | 13,73 | 23,67 | 11,54 | 18,46 | 30,00 |
| (*b*) Irrigation works . | 3 | 3 | 6 | 3 | ... | 3 |
| (*c*) Indian Postal and Telegraph Department . | 1,28 | ... | 1,28 | 1,45 | ... | 1,45 |
| (*d*) New Capital at Delhi | 1,23 | 17 | 1,40 | 1,82 | 18 | 2,00 |
| Total . | 12,48 | 13,93 | 26,41 | 14,84 | 18,64 | 33,48 |
| (*ii*) Net expenditure of Central Government charged to revenue . | 79 | 28,00 | 28,79 | —21,18 | 30,34 | 9,16 |
| (*iii*) Net drawings of Provincial Governments | 1,60 | 2,65 | 4,25 | 1,96 | 2,39 | 4,35 |
| GRAND TOTAL . . | 14,87 | 44,58 | 59,45 | —4,38 | 51,37 | 46,99 |

94. The estimates relating to England shown in the above table have been dealt with in connection with the Ways and Means position of the Secretary of State. Those relating to India will be found in the table in the preceding paragraph summarising the Ways and Means position in India. The totals against item (*ii*) represent the uncovered revenue deficit of the Central Government estimated for the two years.

95. The following table shows the assets available for the reduction of created securities in the Paper Currency Reserve in the two years; the estimates provide for the full utilisation of these assets, though the extent to which it will actually be possible to utilise them depends upon monetary conditions in India :—

(In lakhs of rupees.)

| | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|
| (1) Exchange on transfers between India and England through the Paper Currency and Gold Standard Reserves . . . . . | 1,23 | 8,17 |
| (2) Excess in assets of Gold Standard Reserve over £ 40 millions . . . . . | 1,42 | 1,98 |
| (3) Adjustment for exchange on (2) . . . | 72 | 99 |
| | 3,37 | 11,14 |

96. The interest realised on the investments of the Paper Currency Reserve was earmarked for this purpose by the Indian Paper Currency Amendment Act, XLV of 1920; the Indian Finance Act of 1922, however, suspended this provision temporarily for 2 years and credit for the interest has accordingly been taken to revenue in the current year's Revised and next year's Budget. When the former Act was before the Legislature, an undertaking was given on behalf of Government that the assets of the Gold Standard Reserve in excess of £40 millions will be applied to the same purpose. As regards item (*i*), a portion of the assistance required by the Secretary of State in the current and next years will be given in the form of transfers through the Paper Currency and Gold Standard Reserves, the payment in India to the Gold Standard Reserve in the latter case being made in the shape of gold

obtained from the Paper Currency Reserve. In either case, a payment to the Paper Currency Reserve is necessary and this adjustment will be made at the current market rate of exchange, the difference due to exchange being thus applied to the reduction of created securities.

If created securities are cancelled during the current and next years to the full extent of the resources available, the holdings of Indian treasury bills in the Paper Currency Reserve will amount to R57,89 lakhs on the 31st March 1922, and to R46,75 lakhs on the 31st March 1923.

97. Apart from the transactions mentioned in paragraph 95 which do not affect the Ways and Means position in the net, the following table summarises the disbursements in India in the current and next years as at present estimated :—

(In lakhs of rupees.)

| | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|
| (*i*) Expenditure, revenue and capital including the drawings of Provincial Governments (net) —*vide* paragraph 93 . . . . | 14,87 | ... |
| (*ii*) Discharge of debt other than treasury bills . | 21,11 | 9,91 |
| (*iii*) Provision for the discharge of treasury bills held by the public . . . . | .. | 11,00 |
| (*iv*) Loans to Provincial Governments (net) . | 5,92 | 5,50 |
| (*v*) Assistance to the Secretary of State through the Paper Currency and Gold Standard Reserves . . . . . | 2,50 | 16,35 |
| (*vi*) Disbursements on behalf of the War Office recoverable in England . . . . | 11,29 | 4,38 |
| (*vii*) Drawings by the Mesopotamian Administration against recoveries in England . . | 5,63 | 6,00 |
| (*viii*) Miscellaneous deposits, advances and remittances . . . . . | 5,23 | —27 |
| Total . . | 66,55 | 52,87 |

98. The details of the entries against item (*ii*) in the preceding paragraph are as follows :—

(In lakhs of rupees.)

| | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|
| (*a*) Discharge of debt through purchases for sinking funds . . . . . | 1,80 | 1,95 |
| (*b*) Annual instalment in repayment of Gwalior 4 per cent. loan of 1887 . . . | 12 | 12 |
| (*c*) War Bonds converted into current loan or discharged on maturity . . . | 19,11 | 7,80 |
| (*d*) Discharge of debt in connection with the conversion of 3 per cent. into 3½ per cent. loans etc. . . . . | 8 | 4 |
| Total . | 21,11 | 9,91 |

The Budget estimate against item (*c*) provides for the discharge of the War Bonds which fall due for repayment in 1922-23. The provision in Revised against item (*viii*) in paragraph 97 consists of various miscellaneous transactions, the main components being as follows :—

(In lakhs of rupees.)

| | |
|---|---|
| (1) Withdrawals by local bodies of funds deposited in Government treasuries . . . . . | 1,22 |
| (2) Adjustments connected with the transfer to Government of the securities of the Bengal Nagpur and South Indian Railway Provident Funds . . . . . | 2,18 |
| (3) *Pro forma* adjustments to bring to account in India various receipts in England, *e.g.*, interest on Paper Currency and Gold Standard Reserves, and proceeds of rupee loan received in sterling . . . . . | 3,87 |
| Total . | 7,27 |

The Budget estimate for 1922-23 omits provision for the special adjustments included in the Revised estimate, *viz.*, those referred to at (2) and the last item in (3) above, and allows in addition for receipts in India amounting to R2 crores from the sale of surplus stores on behalf of the Disposals and Liquidation Commissioners, the payment to the Commission being made by the Secretary of State in England.

99. The resources available in the two years for meeting the above disbursements are estimated as follows :—

(In lakhs of rupees.)

| | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|
| (*i*) Proceeds of rupee loan in India . . . | 49,20 | 25,00 |
| (*ii*) Receipts from the issue of treasury bills to the public . . . . . | 9,67 | ... |
| (*iii*) Net receipts from Savings Bank deposits and Post Office cash certificates . . . | 4,45 | 3,07 |
| (*iv*) Net credits from exchange adjustments—*vide* paragraph 62 . . . . . | 11,88 | 11,57 |
| (*v*) Excess of revenue in India over expenditure including Provincial drawings (net)—*vide* paragraph 93 . . . . . | ... | 4,38 |
| Total . | 75,20 | 44,02 |

100. The estimate for item (*iii*) above in Budget provides for the payment of the five year cash certificates issued in 1917 which fall due for discharge in 1922-23. As in the case of the sterling borrowings, the entry relating to the proceeds of the rupee loan to be raised next year is provisional and Government reserves discretion to vary the borrowing programme during the year.

*1921-22. Rupee loans.*

101. The total receipts from the new rupee loan, subscriptions for which were received from the 20th June to the 30th July 1921, amounted to R49,20 lakhs, inclusive of R92 lakhs from the post office section of the loan. War bonds of various issues of a total value of R10,71 lakhs and treasury bills of a discounted value of R1,40 lakhs were received in payment of subscriptions to the loan. The gross receipts from cash certificates amounted to R49 lakhs. Certificates of the value of R92 lakhs are expected to be encashed during the current year, the net payment thus amounting to R43 lakhs.

*Post Office Savings Banks, etc.*

102. The following table gives details of the transactions of Savings Banks and Provident Funds during a series of years, and the estimated transactions for 1921-22 and 1922-23 :—

| Year. | Securities of Railway Companies' Provident Funds transferred to Government. | Net additions to deposits, cash. | Interest. | Total addition. |
|---|---|---|---|---|
| 1910-11 . . . | ... | 1,05,06,000 | 60,82,000 | 1,65,88,000 |
| 1911-12 . . . | ... | 1,95,69,000 | 67,79,000 | 2,63,48,000 |
| 1912-13 . . . | ... | 1,68,26,000 | 73,79,000 | 2,42,05,000 |
| 1913-14 . . . | .. | 2,37,05,000 | 84,07,000 | 3,21,12,000 |
| 1914-15 . . . | ... | —8,35,53,000 | 78,82,000 | —7,56,71,000 |
| 1915-16 . . . | ... | 57,38,000 | 70,96,000 | 1,28,34,000 |
| 1916-17 . . . | ... | 1,35,61,000 | 77,07,000 | 2,12,68,000 |
| 1917-18 . . . | 4,04,00,000 | 41,80,000 | 94,65,000 | 5,40,45,000 |
| 1918-19 . . . | 3,38,37,000 | 2,47,14,000 | 1,26,65,000 | 7,12,16,000 |
| 1919-20 . . . | ... | 1,96,68,000 | 1,40,93,000 | 3,37,61,000 |
| 1920-21 . . . | ... | 2,06,23,000 | 1,73,18,000 | 3,79,41,000 |
| 1921-22 (Revised) . | 2,18,00,000 | 38,61,000 | 2,20,67,000 | 4,77,28,000 |
| 1922-23 (Budget) . | ... | 2,71,39,000 | 2 24,81,000 | 4,96,20,000 |

The Budget estimate assumed that there will be a net deposit of R1,50 lakhs into postal savings banks in the current year; it is now expected that there will be a net withdrawal of R1,22 lakhs. The Budget estimate for 1922-23 provides for a net deposit of R1,00 lakhs into postal savings banks and for a growth of

R1,71 lakhs in the deposits in the various provident funds for Government servants and in the similar funds of railway companies.

103. The disbursements enumerated in paragraph 97 fall short of the available resources detailed in paragraph 99 by R8,65 lakhs in the current year and exceed them by R8,85 lakhs for next year. The cash balance in India at the end of 1921-22 will thus stand at R22,48 lakhs against R13,83 lakhs at the beginning of the year and will be reduced to R13,63 lakhs by the end of 1922-23. The outstandings of treasury bills with the public amounted to R43,67 lakhs on the 1st April 1921; it is expected that they will stand at R53,34 lakhs on the 31st March 1922 and at R42,34 lakhs on the 31st March 1923. During the current year, Ways and Means advances amounting to R15 crores were obtained from the Imperial Bank of India for financing resource operations, but they have now been fully repaid.

## ANALYSIS OF REVENUE DEFICIT.

104. In view of the large deficit anticipated in the revenue account of the Central Government for the year 1922-23, it is proposed in the following paragraphs to analyse the variations in the Budget estimates of the revenue and expenditure of the Central Government for that year with the corresponding figures for the year 1919-20, the last year for which complete audited accounts have been published, and to trace the causes to which the deficit is attributable.

105. The actuals for the year 1919-20 were recast last year in accordance with the new division of subjects between the Central and Provincial Governments introduced by the Reforms, and the revenue and expenditure of the Central Government as thus recast were shown for facility of comparison in the Budget statements presented to the Legislature. The following table compares the actuals as thus recast with the Budget estimates for the year 1922-23 :—

REVENUE.

(In lakhs of rupees.)

| | Actuals, 1919-20. | Budget, 1922-23. | (Increase + Decrease —). |
|---|---|---|---|
| Customs | 21,47 | 36,43 | +14,96 |
| Taxes on income | 22,43 | 19,86 | —2,57 |
| Salt | 5,71 | 7,06 | +1,35 |
| Opium | 4,56 | 3,09 | —1,47 |
| Other heads of revenue | 2,28 | 2,36 | +8 |
| Net gain from Railways | 14,80 | —1,13 | —15,93 |
| Net gain from Posts and Telegraphs | 2,36 | —92 | —3,28 |
| Net receipts under Currency and Mint | 4,75 | —66 | —5,41 |
| Contributions from Provincial Governments | 9,83 | 9,20 | —63 |
| Total | 88,19 | 75,29 | —12,90 |
| Deficit | 20,82 | 31,76 | +10,94 |
| Grand Total | 1,09,01 | 1,07,05 | —1,96 |

EXPENDITURE.

| | | | |
|---|---|---|---|
| Debt services | 9,36 | 14,36 | +5,00 |
| Military expenditure | 83,35 | 62,18 | —21,17 |
| Civil expenditure | 16,30 | 20,55 | +4,25 |
| Exchange on Home expenditure of non-commercial Departments | ... | 9,96 | +9,96 |
| Total | 1,09,01 | 1,07,05 | —1,96 |

106. The variations in the above table are explained below where necessary.

*Customs.*—The Budget for 1922-23 includes about 8½ crores from the proceeds of the new taxation imposed in March 1921. The balance of 6½ crores represents the growth of revenue estimated for 1922-23 as compared with 1919-20 which was a fairly normal year for customs revenue.

*Taxes on Income.*—The actuals for 1919-20 include 9,23 lakhs realised from the temporary levy of an excess profits duty. On the other hand, the Budget for 1922-23 includes about R3 crores from the increased rates of income-tax and super-tax imposed in March 1921. The residual excess of 3,66 lakhs in the Budget figure after the elimination of these items represents partly the provision for the collection of arrears in Bengal and Bombay, and partly the net growth in revenue in the three years after allowing for the effects of the depression in trade.

*Salt.*—The revenue in 1919-20 was specially low owing to the issue of salt against duty received in advance in previous years. These advance payments have now been cleared off by the issue of salt or refunds in cash except for a small outstanding in Bombay.

*Opium.*—The proceeds from auction sales are gradually decreasing owing to a fall in the demand for opium in the Far East.

*Net gain from Railways.*—The details are as follows :—

(In lakhs of rupees.)

| | Actuals, 1919-20. | Budget, 1922-23. | (Increase + Decrease —). |
|---|---|---|---|
| (*i*) Gross traffic receipts (inclusive of sur-tax) . . . . . | 80,05 | 93,57 | +13,52 |
| (*ii*) Ordinary working expenses and fuel charges . . . . . | 41,93 | 56,50 | +14,57 |
| (*iii*) Programme revenue expenditure . | 3,59 | 11,81 | +8,22 |
| (*iv*) Other expenditure (net) . . . . | 19,73 | 26,39 | +6,66 |
| Net gain from Railways . | 14,80 | —1,13 | —15,93 |

The estimate of traffic receipts for 1922-23 includes 5 crores for the yield of increased goods rates to be substituted for the higher rates of sur-tax imposed in March 1921. But for these additional receipts, the reduction in the return from railways during this period would have amounted to 21 crores, due to a check in the growth of revenue, increase in working charges as the result of higher wages for labour and rise in the cost of fuel, larger provision for programme revenue expenditure which was particularly low in 1919-20 owing to the continuance of the effects of the war, and higher rupee equivalent of sterling expenditure owing to the fall in the exchange value of the rupee from the average of about 2*s.* in 1919-20 to the rate of 1*s.* 4*d.* assumed for 1922-23. While the increase in traffic receipts in the period amounted to $8\frac{1}{2}$ crores only which would ordinarily have entailed a rise of something like 5 crores in working charges inclusive of the cost of fuel, the actual increase in these charges is no less than $14\frac{1}{2}$ crores.

*Net gain from Posts and Telegraphs.*—The details are as follows :—

(In lakhs of rupees.)

| | Actuals, 1919-20. | Budget, 1922-23. | (Increase+ Decrease—.) |
|---|---|---|---|
| Gross Receipts . . . . | 9,30 | 9,55 | + 25 |
| Working Expenses . . . . | 6,35 | 9,50 | +3,15 |
| Other Expenditure . . . . | 59 | 97 | + 38 |
| Net gain . | 2,36 | --92 | —3,28 |

The Budget estimate of receipts includes 35 lakhs from the increased postal rates introduced from the 1st April 1921, while the figure for Miscellaneous Expenditure includes 66 lakhs for interest on past capital outlay, but excludes 1,45 lakhs on account of capital outlay on the Indian Postal and Telegraph Department which has been transferred to a capital head outside the revenue account. Allowing for these items, the deterioration under this head amounts to about R$4\frac{1}{2}$ crores and is attributable to a fall in revenue as the result of trade depression, increase in pay of staff, and larger rupee expenditure involved in the settlement of accounts with other telegraph administrations and in respect of sterling expenditure, following on the lower exchange value assumed for the rupee.

*Net receipts under currency and mints.*—The deterioration under this head arises from (*i*) the discontinuance of rupee coinage which results in the loss of receipts from seignorage, (*ii*) the earmarking of the interest on the Paper Currency Reserve investments for the reduction of created securities in the Reserve under the Indian Paper Currency Amendment Act XLV of 1920, and (*iii*) a reduction in the profits from the circulation of small coin.

*Contributions from Provincial Governments.*—The reduction is due to the waiving of the Bengal contribution,

*Expenditure.*—The cost of the service of the debt rises regularly with fresh borrowings from year to year and is a charge against the general revenues to the extent to which the borrowings are not devoted to productive expenditure. The military expenditure in 1919-20 was swollen to the extent of 23,85 lakhs by the cost of the Afghan War. The entry against exchange in the Budget for 1922-23 relates to the Home expenditure of non-commercial departments and is based on an average rate 1*s.* 4*d.* the rupee.

107. The broad results disclosed by the above analysis may be stated as follows. The accounts for the year 1919-20 showed a deficit of 20,82 lakhs on the 2*s.* basis of exchange for the rupee; they included, however, a special receipt of 9,23 lakhs from the excess profits duty, while military expenditure amounted to 83,35 lakhs in that year against 43 crores assumed for the calculations in connection with the new financial arrangements with the provinces. If the special receipt and the excess in military expenditure over the 43 crore estimate are eliminated, the accounts would show a small surplus of 10,30 lakhs.

108. The Budget estimate for 1922-23 shows a deficit of 31,76 lakhs after the extra taxation yielding about 17 crores imposed in March 1921. The deficit would, but for the taxation, have amounted to 48½ crores, of which 15½ crores are due to the non-realisation of the 2*s.* rate of exchange and 19 crores to excess in military expenditure over the estimate of 43 crores mentioned above. The deterioration as compared with the position in 1919-20 thus amounts to about 24 crores and is fully covered by the decline in revenues and in the returns from commercial services as the result of the present trade depression and by the surrender of interest on the investments in the Paper Currency Reserve for the reduction of created securities in the Reserve.

E. M. COOK.

*The 31st March 1922.*

# APPENDIX I.

## PRO FORMA ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE.

## Prefatory Note.

*I.*—Scope of *pro formâ* account.

The following *pro formâ* account, with its supporting statements, exhibits the expenditure, initial and annual, on Delhi and the Delhi Province and also any receipts and savings which form a direct set-off to that expenditure. The account has been prepared in consultation with the Auditor General and carries his approval as regards both its form and its substantial completeness at the present date subject to the qualifications implied in the following prefatory remarks; it will be added to, or amplified later, if experience should show this to be necessary.

2. The main item of the account, as regards non-recurring expenditure, is the Delhi project proper, the figures for which appear against item 1 of Part I.—*Initial Outlay.* The principal recurring charge is that representing the expenditure in the new province, which appears as item 1 of Part II.—*Annual Expenditure.*

3. The account necessarily exhibits any expenditure occurring under the named heads, without qualification on account of contributory causes. It must, therefore, be clearly understood that the increase of expenditure, including that in the Delhi Province, is not wholly due to the change of Capital. Thus, an increase of the garrison at Delhi on strategic grounds had been already independently and strongly recommended to the Government of India by the Chief of the General Staff and endorsed by His Excellency the Commander-in-Chief in July 1911, before the transfer of the Capital had been officially proposed, and the construction of the accommodation of the troops already there had long been recognised as pressing. Similarly the recent advance in the policy relating to education and sanitation, particularly the latter, would, under any circumstances, have involved increased expenditure in this city. For practical purposes, these considerations must be ignored in the figured statements, as well as various similar points of minor pecuniary significance. The same principle will be applied to the Railway expenditure, *i.e.*, the cost of any remodelling of the railway system which is connected with the constitution of the new Capital will be exhibited in full in the *pro formâ* account. A wholly independent railway requirement, such as the permanent marshalling yard which will eventually replace the temporary yard now in use, will not be shown.

*II.—Relation between the* pro formâ *account and the regular accounts.*

4. A brief explanation is added below connecting the various items in the *pro formâ* account with the entries in the published accounts and estimates. Some further explanations are also to be found in the account itself and in its supporting statements.

5. The capital expenditure directly incurred on the construction of the new Imperial Capital at Delhi is shown in the regular accounts under the special head "57—Initial Expenditure on the new Capital at Delhi." The only other item of expenditure which will be recorded in the capital section of the regular accounts is that arising from diversions or re-arrangements of the railway system, which will appear under the head "53—State Railways". Item 1 of Part I of *pro formâ* account. Item 3(*b*), *ibid.*

6. The initial expenditure incurred during the years 1911-12 and 1912-13 in connection with the provision of temporary accommodation for the Government of India at Delhi, pending the construction of the new Capital, has been treated, on the advice of the Auditor General, as a revenue charge, under a special minor head styled "Temporary Delhi" subordinate to the major head "41—Civil Works". Any non-recurring receipts which may eventually be obtained in connection with these temporary works, *e.g.*, from the sale of lands and buildings when no longer required by the Government of India, will be similarly credited under a special head subordinate to the major head "XXX—Civil Works". Item 2, *ibid.* Item II, *ibid.*

Items 1 and I of Part II of *pro formâ* account.

7. The remaining expenditure is mainly brought to account in one of two ways: either, first, as expenditure of the new Province; or secondly as departmental expenditure chargeable to the Department in which it is incurred.

8. The expenditure and receipts appertaining to the *quasi*-provincial administration of the Imperial area are brought to account in the same way as in the case of other minor administrations and are eventually published separately, like the figures for Coorg and Baluchistan, in an appendix to the Civil Estimates. But as the Civil Estimates are not published till late in the year, a special arrangement has been made by which the figures for the Delhi Province under each major head are separately shewn in the various sections of the Financial Secretary's memorandum. It will be noted that any grants which may be specially given from Imperial revenues in aid of the Delhi Municipality or other local funds will be brought into the regular accounts and consequently, into the *pro formâ* account also, since they will appear as charges of the Delhi administration.

Items 3 (*a*) and III of Part I of *pro formâ* account.

9. Expenditure which does not appertain to provincial administration is recorded, as in the case of other provinces, under its appropriate departmental head in the regular accounts. Thus expenditure on the land and buildings required for the new Cantonment, and any corresponding receipts, appear under the Army and Military Works heads respectively, under both of which a special Delhi sub-head has been opened. Railway capital outlay has already been referred to. Railway revenue charges and receipts similarly come under the Railway account head. In these cases, the *pro formâ* account necessarily exhibits only initial expenditure and non-recurring receipts, as Military expenditure is not being permanently increased and the influence of the new Capital on the ordinary daily receipts and working expenses of the Railways cannot evidently be satisfactorily isolated. This latter consideration also applies to the case of Postal and Telegraph expenditure, which moreover represents ordinary administrative expenditure of the department, and is relatively insignificant in amount. For these reasons, in the case of this department neither the initial outlay nor the recurring receipts and expenditure have been included.

Items 4 to 7 and I and IV of Part I, and Items 2 and 3 and II to V of Part II of *pro formâ* account.

Item I of Part I.

10. There are also a few items of expenditure and of actual receipt or of definite saving which are not recorded in the accounts of the Delhi Province or in the departmental accounts, but which it is necessary to take into consideration in calculating the expenditure on Delhi and the Delhi Province. Most of these are self-explanatory, but attention may be called to the intended treatment of the sale-proceeds of vacated lands and buildings at Calcutta (if any) and elsewhere. These will be credited under the major heads "XXXV—Miscellaneous" and "XXX—Civil Works", and the *pro formâ* account will take credit only for actual Imperial receipts. No account will be taken, in the statements themselves, of book transactions, or of the considerable savings obtained from the vacation of rented accommodation, *i.e.*, of relief in respect of rental payments which the Local Government obtains by giving up private buildings previously leased for provincial establishments, and moving the latter into offices formerly occupied by the Government of India. Any reference made to such saving will, therefore, be found in an explanatory footnote [See Part I, Note 5.]

11. Outlay on stores and all other expenditure incurred in England under a capital head or as a revenue charge, which can be distinguished as appertaining to the construction of Delhi or to the administration of the Delhi Province, have been included in the *pro formâ* account.

## *PRO FORMÁ* ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE

### PART I.—INITIAL OUTLAY.

[Figures in thousands of Rupees.]

| EXPENDITURE. | Actuals to end of 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|
| 1. DELHI PROJECT: Capital outlay on permanent Delhi chargeable to Head "57" (for details see Statement I-A) | 4,82,00 | 1,40,10 | 2,00,00 |
| 2. Temporary Delhi * | 54,33 | ... | ... |
| 3. Initial expenditure of non-Civil Departments :— | | | |
| (*a*) Military Services† | 76,37 | 5,41 | 14,35 |
| (*b*) Railways ‡ | 8,72 | 14,39 | 26,03 |
| 4. Non-recurring grant to the Punjab Government in compensation for expenditure incurred on new headquarters buildings for the Commissionership transferred from Delhi | 1,36 | ... | ... |
| 5. Cost of withdrawal to Delhi of Imperial offices previously located at Calcutta or elsewhere | 2,03 | 6 | ... |
| 6. Special non-recurring monetary concessions to establishments of the Government of India and attached offices on the occasion of their first move to Delhi | 3,83 | 61 | 58 |
| 7. Miscellaneous items§ | 5,56 | 1,00 | 1,07 |
| TOTAL | 6,34,20 | 1,61,57 | 2,42,03 |

| RECEIPTS. | Actuals to end of 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|
| I.—Receipts which may be obtained on account of Imperial buildings vacated by the Government of India or attached offices in consequence of the move (for details see Statement I-B)‖ | ... | ... | ... |
| II.—Non-recurring receipts on account of Temporary Works | 2 | ... | ... |
| III.—Recoveries on account of land or buildings vacated in the old Cantonment of Delhi ‖ | ... | ... | ... |
| IV.—Miscellaneous items | 4,25 | 85 | 85 |
| TOTAL | 4,27 | 85 | 85 |

| | | |
|---|---|---|
| Total Expenditure to end of 1922-23 | 10,37,80 | |
| Net Expenditure to end of 1922-23 | 10,31,83 | |
| Total Receipts to end of 1922-23 | | 5,97 |

*NOTE 1.—The head "Temporary Delhi" has been closed from 1st April 1913, subsequent expenditure being treated as part of the expenditure of the Delhi Province—see Part II of Account.

†NOTE 2.—The expenditure included under item 3 (*a*) is that relating to the formation of the new Cantonment. Its details are as follows :—

| | To end of 1920-21. | Revised, 1921-22. | Budget, 1922-23. |
|---|---|---|---|
| Acquisition of land | 13,10 | ... | .. |
| Cost of buildings | 56,28 | 4,64 | 12,73 |
| Establishment charges | 5,17 | 70 | 1,52 |
| Tools and Plants | 1,82 | 7 | 10 |
| TOTAL | 76,37 | 5,41 | 14,35 |

‡ NOTE 3.—The figures relate to charges for the acquisition of land and outlay on railway facilities at Nangal Raya.

§ NOTE 4.—The expenditure shown against item 7 represents mainly the proportionate cost of the Delhi Audit Office and the cost of temporary establishments employed in the Secretariats in connection with the change of Capital.

‖NOTE 5.—These heads will record only actual receipts obtained from the sale of the vacated buildings and land. As explained in paragraph 10 of the prefatory note, this procedure has the effect of excluding a substantial true saving in respect of rented accommodation. Thus from 1913-14 to 1920-21 the Government of Bengal, by moving their offices into the vacated Imperial buildings in Calcutta, saved Rs5,89,000 : partly by being enabled to dispense with private accommodation previously leased, and partly by being relieved from the necessity of renting further accommodation.

## *PRO FORMÁ* ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE.

### PART II.—ANNUAL EXPENDITURE.

[Figures in thousands of Rupees.]

| Expenditure. | Actuals, 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. | Receipts. | Actuals, 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|---|---|
| 1. Expenditure of Delhi Province * | 1,01,37 | 67,86 | 67,11 | I.—Revenue of Delhi Province* | 38,57 | 31,39 | 32,57 |
| 2. Compensatory assignment to Punjab Provincial revenues in respect of extra expenditure incurred in administering territories which have been transferred from the old Delhi district to the districts of Rohtak and Gurgaon | 13 | ... | ... | II.—Assignment from Punjab Provincial revenues to Imperial on account of the creation of the new Province of Delhi, with effect from the 1st October 1912† | 1,91 | ... | ... |
| 3. Miscellaneous items | 28 | 30 | 33 | III.—Saving under Calcutta house allowances‡ | 46 | 50 | 51 |
| | | | | IV.—Saving under hill journey and travelling allowances and contingencies on account of shorter move of Secretariat and attached offices.§ | 2,50 | 2,50 | 2,50 |
| Total expenditure | 1,01,78 | 68,16 | 67,44 | V.—Miscellaneous items | 3 | 3 | 3 |
| Net expenditure | 58,31 | 33,74 | 31,83 | Total receipts | 43,47 | 34,42 | 35,61 |

* NOTE 1.—The details of this item are given in Statement II-A.

† NOTE 2.—This assignment represents the amount by which the Provincial outlay on the Delhi area exceeded the Provincial revenue obtained therefrom prior to the constitution of the Imperial enclave, *i.e.*, the net expenditure incurred on that area of which the Local Government has now been relieved.

‡ NOTE 3.—The figures shown against item III will be subject to increase as additional offices are successively transferred from Calcutta to Delhi.

§ NOTE 4.—The figure shown against item IV to a minimum figure calculated once for all on the assumption that all offices or portions of offices which previously moved between Calcutta and Simla have subsequently moved regularly between Delhi and Simla. The actual saving throughout has been larger owing to certain establishments which previously moved to Calcutta being retained in Simla throughout the cold weather.

## STATEMENT I.-A.

*Details of Capital outlay on the Delhi Project working up to the total figures shown against item 1 in Part 1 of* pro formâ *account.*

[Figures in thousands of Rupees.]

| Items. | Actuals up to end of 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|
| *A.—Salaries and allowances—* | | | |
| (*a*) Preliminary Investigation— | | | |
| (*i*) Gazetted officers* | 2,04 | ... | ... |
| (*ii*) Non-gazetted officers | 14 | ... | ... |
| (*b*) Public Works and Electrical officers employed on the Project— | | | |
| (*i*) Gazetted officers* | 27,39 | 8,67 | 10,20 |
| (*ii*) Non-gazetted officers | 14,57 | 6,50 | 6,14 |
| (*c*) Other officers employed on the Project— | | | |
| (*i*) Gazetted officers* | 3,23 | 43 | 36 |
| (*ii*) Non-gazetted officers | 2,04 | 40 | 23 |
| *B.—Travelling allowances of Officers and Establishment—* | | | |
| (*a*) Preliminary Investigation— | | | |
| (*i*) Gazetted officers* | 23 | ... | ... |
| (*ii*) Non-gazetted officers | 2 | ... | ... |
| (*b*) Public Works and Electrical officers employed on the Project— | | | |
| (*i*) Gazetted officers* | 2,42 | 70 | 61 |
| (*ii*) Non-gazetted officers | 1,34 | 52 | 50 |
| (*c*) Other officers employed on the Project— | | | |
| (*i*) Gazetted officers* | 26 | 9 | 8 |
| (*ii*) Non-gazetted officers | 9 | 4 | 4 |
| *C.—Supplies, Services and Contingencies—* | | | |
| (*a*) Preliminary Investigation | 51 | ... | ... |
| (*b*) Public Works and Electrical officers employed on the Project | 2,08 | 64 | 73 |
| (*c*) Other officers employed on the Project | 38 | 1 | 1 |
| *D.—Works Expenditure—* | | | |
| (*i*) Buildings | 1,54,14 | 35,94 | 85,00 |
| (*ii*) Communications | 11,22 | 1,20 | 4,00 |
| (*iii*) Miscellaneous Public Improvements | 6,90 | 1,11 | 2,00 |
| (*iv*) Electric Light and Power | ... | 2,50 | 20,00 |
| (*v*) Irrigation | 6,70 | 12,71 | 10,00 |
| (*vi*) Sanitation including water-supply, drainage and sewage | 34,24 | 12,69 | 39,00 |
| (*vii*) Purchase of tools and plant | 44,55 | 8,57 | 10,00 |
| (*viii*) Stock and Suspense | 59,71 | 23,48 | ... |
| (*ix*) Miscellaneous items | 61,21 | 9,73 | 10,00 |
| (*x*) Maintenance during construction | 25,06 | 10,00 | 10,00 |
| (*xi*) Railway diversion | 42 | 30 | 6,00 |
| *E.*— Acquisition of land | 33 69 | 2 | ... |
| *F.*—Other Miscellaneous expenditure | 6 | ... | ... |
| *G.*— Unallotted Reserve | ... | 10,05 | —10,32 |
| *Deduct*—Receipts on Capital Account | —12,64 | —3,50 | —4,58 |
| Total | 4,82,00 | 1,40,10 | 2,00,00 |

*NOTE.—The town planners and other experts are included under this head.

## STATEMENT II-A.

*Revenue and Expenditure of Delhi Province.*

[Figures in thousands of rupees.]

| Receipts. | | | | Expenditure. | | | |
|---|---|---|---|---|---|---|---|
| Major heads of Account. | Actuals, 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. | Major heads of Account. | Actuals, 1920-21. | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
| I.—Customs | 65 | 59 | 60 | 2 Taxes on Income | 1 | 5 | 10 |
| II.—Taxes on Income | 12,80 | 11,10 | 11,10 | 5. Land Revenue | 61 | 78 | 72 |
| IV.—Opium | 14 | 18 | 20 | 6. Excise | 12 | 14 | 14 |
| V.—Land Revenue | 4,01 | 3,58 | 3,57 | 7. Stamps | 13 | 12 | 12 |
| VI. Excise | 6,78 | 4,92 | 5,92 | 9. Registration | 8 | 8 | 8 |
| VII.—Stamps | 7,26 | 6,92 | 7,12 | 15. Miscellaneous Irrigation Expenditure | 1 | 4 | 5 |
| IX.—Registration | 45 | 41 | 41 | 22. General Administration | 2,66 | 2,61 | 3,16 |
| XIV.—Irrigation works for which no capital accounts are kept | 2 | 4 | 4 | 23. Audit | 41 | 53 | 34 |
| XVI.—Interest | 23 | 20 | 19 | 24. Administration of Justice | 1,21 | 1,24 | 1,46 |
| XVII.—Administration of Justice | 27 | 23 | 22 | 25. Jails and Convict settlements | 86 | 98 | 1,14 |
| XVIII.—Jails and convict settlements | 18 | 15 | 15 | 26. Police | 6,91 | 7,81 | 7,91 |
| XIX.—Police | 21 | 18 | 18 | 28. Ecclesiastical | 20 | 21 | 23 |
| XXI.—Education | 16 | 15 | 15 | 29. Political | 1 | 1 | 1 |
| XXII.—Medical | 8 | 8 | 7 | 30. Scientific | 9 | 14 | 20 |
| XXVI.—Miscellaneous Departments | 25 | 23 | 23 | 31. Education | 3,20 | 4,51 | 5,53 |
| XXVII.—Currency | 22 | 22 | 22 | 32. Medical | 3,35 | 3,39 | 3,48 |
| XXX.—Civil Works | 1,61 | 1,20 | 1,20 | 33. Public Health | 1,38 | 1,34 | 86 |
| XXXIII.—Receipts in aid of Superannuation | 4 | 5 | 5 | 34. Agriculture | 32 | 32 | 33 |
| XXXIV.—Stationery and Printing | 8 | 8 | 8 | 35. Industries | ... | ... | 3 |
| XXXV.—Miscellaneous | 3,13 | 88 | 87 | 37. Miscellaneous Departments | 6 | 2 | ... |
| | | | | 38. Currency | 4 | 9 | 8 |
| | | | | 41. Civil Works in charge of Civil officers | 4,44 | 6 | 1,06 |
| | | | | Civil Works in charge Public Works officers | 32,20 | 23,84 | 32,31 |
| | | | | 44. Territorial and Political Pensions | 44 | 77 | 77 |
| | | | | 45. Superannuation allowances and pensions | 2,39 | 2,39 | 2,40 |
| | | | | 46. Stationery and Printing | 15 | 18 | 18 |
| | | | | 47. Miscellaneous | 38,75 | 14,68 | 3,79 |
| | | | | Special Additions— | | | |
| | | | | 41. Civil Works—Viceregal Estates in India | 1,34 | 1,53 | 1,63 |
| | | | | Lump reduction made by the Legislative Assembly | ... | ... | —1,00 |
| Grand Total | 38,57 | 31,79 | 32,57 | Grand Total | 1,01,37 | 67,86 | 67,11 |

# APPENDIX II.

## COMMERCIAL AND FINANCIAL STATISTICS.

**Appen**

**COMMERCIAL AND**

**Table I.—**

| | 1913-1914. | 1914-1915. | 1915-1916. |
|---|---|---|---|
| Recorded revenue compared with recorded expenditure excluding Capital Expenditure on Railways, Irrigation works, Telegraphs and the Delhi Capital not charged against Revenue— | | | |
| Surplus . . . . . ₹ | 3,46,86 345 | ... | ... |
| Deficit . . . . . | ... | 2,67,79,050 | 1,78,29,915 |
| Capital Expenditure on Railways and Irrigation Works not charged against Revenue . . . . . ₹ | 17,64,81,930 | 17,44,95,510 | 8,38,35,975 |
| Capital outlay on the Indian Postal and Telegraph Department not charged against Revenue . . . . . ₹ | ... | ... | ... 49,69,110 |
| Initial Expenditure on new Capital at Delhi . . . ₹ | 67,07,010 | 54,05,415 | ... |
| India's Financial Contribution to the War . . . . . | ... | ... | |
| Net Public Debt incurred . . . . . ₹ | 17,73,000 | 4,09,09,410 | 3,56,97,510 |
| Net Public Debt incurred, including Capital transactions with Railway Companies . . . . . ₹ | 4,32,39,317 | 8,59,50,444 | 8,64,25,637 |
| Value of commodities exported, excluding Gold and Silver . ₹ | 2,49,00,70,000 | 1,82,17,60,000 | 1,99,48,00,000 |
| Ditto imported, ditto ditto . ₹ | 1,91,30,80,000 | 1,44,93,10,000 | 1,33,16,90,000 |
| Excess of Exports over Imports, excluding Gold and Silver . ₹ | 57,69,90,000 | 37,24,50,000 | 61,31,10,000 |
| Net Imports of Gold . . . . . ₹ | 23,32,40,000 | 7,64,70,000 | †—*1,10,90,000* |
| Ditto of Silver . . . . . ₹ | 13,03,30,000 | 8,87,20,000 | 4,83,00,000 |
| TOTAL NET IMPORTS OF GOLD AND SILVER . . ₹ | 36,35,70,000 | 16,51,90,000 | 3,72,10,000 |
| Excess of Exports over Imports including Gold and Silver . ₹ | 21,34,20,000 | 20,72,60,000 | 57,59,00,000 |
| Secretary of State's Bills sold (Rupees) . . . . . ₹ | § 46,59,68,715 | § 11,61,88,392 | §30,36,57,471(*a*) |
| Sterling Equivalent received . . . . . £ | §31,200,827 | §7,748,112 | §20,354,517(*a*) |
| Silver coined at the Indian Mints . . . . . ₹ | 13,15,68,537 | 2,17,95,335 | 1,62,02,199 |
| Maximum price in pence of an oz. troy, standard Silver in London | 28$\frac{1}{16}$ (22nd September). | 27$\frac{1}{4}$ (30th Apl.). | 38$\frac{1}{16}$ (31st March 1916.) |
| Minimum ditto ditto . | 25$\frac{15}{16}$ (1st December). | 22$\frac{1}{8}$ (13th and 14th Novr.). | 22$\frac{3}{8}$ (5th Aug. 1915.) |
| Average Exchange upon Secretary of State's Bills sold per rupee . | 1*s.* 4·070*d.* | 1*s.* 4·004*d.* | 1*s.* 4·087*d.* |
| Rate of Exchange for the adjustment of transactions between the Indian and Imperial Treasuries . . . . . | 1*s.* 4*d.* | 1*s.* 4*d.* | 1*s.* 4*d.* |
| Maximum rate of discount on Loans on demand at the Bank of Bengal, (Imperial Bank) Calcutta. | 7 (1st to 16th Apl. and 13th Nov. 1913 to 18th Mar. 1914). | 6(1st to 30th Apl. and 5th Nov. to 31st Dec. 1914 and 1st Jan. to 31st March 1915). | 8 (20th Jan. 1916 to 31st March 1916.) |
| Minimum rate of discount on Loans on demand at the Bank of Bengal, (Imperial Bank) Calcutta . . . . . | 3 (3rd July to 6th Aug.). | 3(9th July to 5th Aug.). | 5 (2nd June to 22nd Sept.). |
| Maximum rate of discount at the Bank of England . . . | 5 (1st to 16th April and from 2nd October 1913 to 7th January 1914). | 10 (from 1st to 5th Aug. 1914). | 5 (1st Apl. 1915 to 31st Mar. 1916.) |
| Minimum ditto ditto . . . | 3 (29th January to 31st March 1914). | (from 1st Apl. to 29th July). | |
| Maximum Government balances at the three Presidency Banks ₹ | 6,18 88,000 (Oct.) | 10,12,86,000(Aug.) | 8,87,07,000 (Aug.) |
| Minimum ditto ditto Imperial Bank ₹ | 4,85,95,000 (May) | 4,84,03,000(Nov.) | 4,42,76,000 (Nov. |
| Maximum price in Calcutta of 5 per cent. War Loan 1929—47 . | ... | | |
| Minimum ditto ditto . | ... | ... | ... |
| Maximum price in Calcutta of 5 per cent. income-tax free loan 1945—55 . . . . . | ... | ... | ... |
| Minimum ditto ditto . | ... | ... | ... |
| Maximum price in Calcutta of Government 3½ per cent Rupee Securities (Guaranteed) . . . . . | 96—12 (19th and 21st July). | 96-1 (from 14th to 15th and 17th to 25th July 1914). | 93-2 (5th to 11th June 1915.) (*d*) |
| Minimum ditto ditto . | 94—14 (13th & 17th Oct.). | 91-8 (13th to 31st March). | 79$\frac{1}{8}$ (23rd Dec. 1915 to 6th Jan. 1916.) |
| Maximum price in Calcutta of 3 per cent Rupee Securities . . | 83—0 (2nd to 4th Sept. 1913 and from 26th Feb. to 31st March 1914). | 83 (1st April to 4th Aug. 1914). | 80 (1st Apl. to 28th June 1915.) |
| Minimum ditto ditto . | 82—0 (1st Apl. to 26th Aug.). | 77 (31st Aug. to 3rd Sept. 1914). | 67$\frac{1}{2}$ (23rd Dec. 1915 to 6th Jan. 1916.) |
| Maximum amount outstanding on London Register of Rupee Securities enfaced for Interest Drafts . . . . . ₹ | 11,11,03,000 (Apl.) | 9,95,58,000(Apl.) | 9,66,98,000 (Apl.) |
| Minimum ditto ditto ₹ | 10,08,23,000(Mar.) | 9,73,00,000(Mar.) | 8,81,17,000 (Dec.) |
| Maximum price in London of 3½ per cent (Rupee Securities in Gold) . | 64$\frac{5}{8}$ (Feby.) | 63$\frac{7}{8}$ (May) | No quotation. |
| Minimum ditto ditto . | 63$\frac{1}{2}$ (Apl.) | 63 (July) | |
| Maximum price in London of India 3½ per cent Stock . . | 93$\frac{3}{4}$ (Jan.) | 90$\frac{1}{2}$ (Apl. | 82$\frac{5}{8}$ (May). |
| Minimum ditto ditto . | 84$\frac{5}{16}$ (Jan.) | 80$\frac{3}{4}$ (Mar.) | 80$\frac{3}{4}$ (Apl.) |
| Maximum price in London of India 3 per cent Stock . . . | 80$\frac{3}{4}$ (Jan.) | 77$\frac{1}{4}$ (Apl.) | 70$\frac{1}{4}$ (Apl.) |
| Minimum ditto ditto . | 71$\frac{1}{2}$ (Dec.) | 69$\frac{1}{4}$ (Mar.) | 69$\frac{1}{4}$ (Apl.) |
| Maximum price in London of India 2½ per cent Stock . . . | 66$\frac{11}{16}$ (Feby.) | 64 (Apl.) | 59$\frac{3}{8}$ (Apl.) |
| Minimum ditto ditto . . | 59$\frac{3}{4}$ (Jan.) | 58 (Jan.) | 57 (May.) |
| Maximum price in London of 7 per cent Stock . . . . | ... | ... | ... |
| Minimum ditto ditto . . . | ... | ... | ... |
| Maximum price in London of 5½ per cent Stock . . . . | ... | ... | ... |
| Minimum ditto ditto . . . | ... | ... | ... |
| Maximum Government Paper Currency outstanding . . ₹ | 69,89,84,000(July.) | 75,44,53,000(July) | 68,06,10,000(July) |
| Minimum ditto ditto ₹ | 61,79,95,000(Sept.) | 59,54,67,000(Feb.) | 63,24,42,000 (Apl.) |
| Number of Post Office Savings Banks . . . . . | 9,824 | 10,161 | 10,386 |
| Number of accounts in Post Office Savings Banks . . . | 1,638,725 | 1,644,074 | 1,660,424 |
| Amount deposited in Savings Banks . . . . . ₹ | 23,16,75,467 | 14,39,26,323 | 15,32,12,517 |
| Average of each deposit . . . . . | 141·38 | 90·58 | 92·27 |
| Net addition to deposits . . . . . ₹ | 2,55,60,964 | —8,27,49,144 | 42,86,194 |

§ Include remittances of the Gold Standard Reserve.

**dix II.**

## FINANCIAL STATISTICS.

### Miscellaneous.

| 1916-1917. | 1917-1918. | 1918-1919. | 1919-1920. | 1920-1921. | 1921-1922, Revised. | 1922-1923, Budget. |
|---|---|---|---|---|---|---|
| 11,21,72,550 | 12,13,06,110 | ... | ... | ... | ... | ... |
| ... | ... | 5,73,06,135 | 23,65,28,825 | 26,00,85,276 | 28,79,20,000 | 9,16,28,000 |
| 3,57,66,465 | 5,91,66,825 | 7,64,13,315 | 14,42,99,228 | 26,55,72,106 | 23,73,79,000 | 30,02,69,000 |
| .... | ... | ... | ... | ... | 1,28,06,000 | 1,45,00,000 |
| 36,64,455 | 37,58,145 | 42,86,895 | 50,35,427 | 1,25,75,011 | 1,40,10,000 | 2,00,00,000 |
| ... | 1,50,00,00,000 | ... | ... | ... | ... | ... |
| 11,56,72,620 | 1,73,76,00,090 | 11,47,30,575 | 8,90,70,517 | 52,34,07,498 | 48,99,24,000 | 11,27,47,000 |
| 11,29,52,367 | 1,72,94,94,174 | 10,22,96,861 | 18,22,22,396 | 51,76,91,284 | 49,58,89,000 | 11,53,72,000 |
| 2,47,31,10,000 | 2,44,89,50,000 | 2,55,32,00,000 | 3,32,75,80,000 | 2,65,93,50,000 | (*b*)2,19,01,90,000 | |
| 1,60,24,90,000 | 1,64,35,50,000 | 1,88,56,20,000 | 2,21,70,20,000 | 47,13,50,000 | (*b*)2,58,16,30,000 | |
| 87,06,20,000 | 80,54,00,000 | 66,75,80,000 | 1,11,05,60,000 | (*c*)—81,20,00,000 | (*c*)—39,14,40,000 | |
| 13,23,50,000 | 25,17,80,000 | †—5,56,40,000 | 35,33,00,000 | 2,10,80,000 | (*b*)—6,29,70,000 | |
| 18,80,00,000 | 19,04,20,000 | 67,91,90,000 | 29,22,90,000 | 6,31,00,000 | (*b*)12,65,80,000 | |
| 32,03,50,000 | 44,22,00,000 | 62,35,50,000 | 64,55,90,000 | 8,41,80,000 | (*b*)6,36,10,000 | |
| 55,02,70,000 | 36,32,00,000 | 4,40,30,000 | 46,49,70,000 | (*c*)—89,61,80,000 | (*c*)—45,50,50,000 | |
| §49,04,34,364 (*a*) | §50,63,87,176(*a*) | (*a*)28,65,41,000 | 34,54,98,000 | ... | ... | |
| §32,998,095 (*a*) | §34,880,682(*a*) | (*a*)20,946,314 | 31,226,219 | ... | ... | |
| 30,77,07,326 | 23,87,07,287 | 52,05,35,309 | 37,72,19,757 | 3,41,30,039 | 1,59,67,979 | |
| 38 7/16 (13th Feby. 1917). | 55 (21st to 24th Septr. 1917). | 50 (28th March 1919). | 89 1/2 (11th Feb. 1920). | 72 1/8 (7th April 1920). | 43 3/8 (27th Sept. 1921). | |
| 28 5/8 (10th July 1916). | 36 9/16 (13th to 17th April 1917). | 45 1/4 (8th to 10th Apl. 1918.) | 48 9/16 (4th April and 6th May 1919). | 30 5/8 (5th March 1921). | 32 1/8 (1st and 3rd Mar. 1922). | |
| 1*s.* 4·148*d.* | 1*s.* 4·536*d.* | 1*s.* 5·544*d.* | 1*s.* 9·691 *d.* | ... | ... | |
| 1*s.* 4*d.* | 1*s.* 4*d.* and 1*s.* 5*d.* | 1*s.* 5*d.* and 1*s.* 6*d.* | 1*s.* 6*d.*, 1*s.* 8*d.*, 2*s.*, 2*s.* 4*d.*, and 2*s.* 9*d.* | 2*s.* 8*d.*, 2*s.* 4*d.*, 2*s.* 2 1/4*d*, 2*s.*, 1*s.* 11*d.*, 1*s.* 10 1/4*d.*, 1*s.* 8 1/4*d.*, 1*s.* 5 1/4*d.* 1*s.* 6*d.*,& 1*s.* 4 3/4*d.* | 1*s.* 3 1/4*d.*, 1*s.* 3 1/2*d.* 1*s.* 3 3/4*d.*, 1*s.* 4*d.*, 1*s.* 4 1/2*d.*, 1*s* 5*d.*, and 1*s.* 5 1/2*d.* | |
| 8 (1st to 13th April 1916 and 9th Nov. 1916 to 21st Feb. 1917.) | 6 (1st April to 6th Septr. 1917 and 3rd Jany. to 31st March 1918.) | 7 (16th Jan. to 26th Mar. 1919). | 7 (12th to 31st Mar. 1920). | 7 (1st Apl to 9th June 1920, 18th Nov. 1920, to 2nd Mar. 1921). | 8th from 16th Feb. 1922). | |
| 5 (22nd June to 13th Sept.) | 5 (7th Septr. 1917 to 2nd Jany. 1918.) | 5 (23rd May to 6th Novr. 1918). | 5 (5th June 1919 to 14th Jan. 1920). | 5 (1st July to 3rd Nov. 1920). | 5 (2nd June to 14th Dec. 1921). | |
| 6 (13th July 1916 to 17th Jany. 1917.) | 5 1/2 (2nd to 4th April 1917.) | | 6 (6th Novr. 1919 to 31st Mar. 1920.) | 7 (15th April 1920 to 31st Mar. 1921.) | 7 (1st Apl. to 1st May 1921). | |
| | | 5 (1st Apl. 1918 to 31st Mar. 1919). | | | | |
| 5 (1st April to 12th July 1916.) | 5 (5th April 1917 to 31st March 1918.) | | 5 (1st April 1919 to 5th Nov. 1919). | 6 (1st to 14th April 1920) | 4 1/2 from 16th Feb. 1922. | |
| 10,11,86,000(Mar) | 22,65,24,000(June) | 18,60,47,000(Sept.) | 18,26,33,000 (Feb.) | 20,38,41,000(July) | 25,87,46,000(July) | |
| 4,84,33,000 (May) | 7,37,68,000 (Nov.) | 6,54,89,000 (Apl.) | 7,04,52,000(Sept.) | 5,84,98,000 (Feb.) | 6,79,75,000 (Dec.) | |
| ... | ... | 93 | 95 | 90 | 87 | |
| ... | ... | 90 | 90 | 77 | 78 | |
| ... | ... | ... | 95 1/2 to 96 | 95 1/2 to 95 | 89 | |
| ... | ... | ... | | 78 1/2 | 80 | |
| 82 (7th and 11th to 14th April 1916.) | 70 (6th to 14th Sep. and 31st Oct 1917 to 7th Feb. 1918.) | 81 (7th to 21st Nov. 1918.) | 71 (1st April to 17th May). | 60 (1st to 16th April 1920 and 5th to 15th January 1921). | 62 (30th & 31st May 1921). | |
| 69 (22nd Feb. to 2nd March and 20th to 31st March 1917.) | 67 (20th June to 24th Aug. 1917.) | 65 (3rd May to 24th June 1918). | 60 (27th Feb. to 31st Mar. 1920). | 52 (1st Nov. to 22nd Dec. 1920) | 55-10 (from 3rd March) | |
| 70 (5th to 20th April 1916.) | 60 (6th to 14th Sep. and 31st Oct. to 16th March 1918.) | 69 (5th to 22nd Nov. 1918). | 62 (1st April to 17th May). | 50 (1st April to 5th Oct. 1920 and 5th to 15th January 1921). | 53 (31st May & 1st June 1921). | |
| 59 (22nd Feb. to 2nd March and 20th to 31st March 1917.) | 57 (20th June to 24th Augt. 1917.) | 58 (11th Apl. to 24th June 1918.) | 50 (27th Feb. to 31st Mar. 1920). | 42 (1st Nov. to 22nd Dec. 1920) | 47 (1st to 4th Apl. 1921). | |
| 8,76,76,000 (Apl.) | 8,06,95,000(Apl.) | 8,17,24,000 (Mar.) | 8,16,74,000 (Apl.) | 6,65,19,000 (Apl.) | 7,73,56,000(Oct.) | |
| 8,30,42,000 (Mar.) | 7,47,56,000(March) | 7,34,70,000(July) | 7,43,58,000 (Dec.) | 6,13,12,000 (Sep.) | 6,36,30,000 (Apl.) | |
| No quotation. | 52 | 54 | 74 | 63 3/4 | 42 1/2 | |
| | 44 3/8 | 44 | 49 1/2 | 33 1/2 | 34 1/8 | |
| 80 7/8 | 69 7/8 | 74 | 69 7/8 | 61 | 63 | |
| 62 3/4 | 61 1/4 | 62 | 54 1/8 | 51 1/8 | 55 1/8 | |
| 69 3/8 | 60 1/4 | 64 | 60 3/4 | 53 | 54 1/2 | |
| 55 1/4 | 53 | 53 1/4 | 47 1/8 | 43 1/2 | 47 1/4 | |
| 57 1/8 | 50 | 53 7/8 | 50 3/4 | 43 | 45 1/2 | |
| 47 | 45 1/8 | 44 3/4 | 40 | 37 3/8 | 39 3/4 | |
| ... | ... | ... | ... | ... | 107 1/2 | |
| ... | ... | ... | ... | ... | 102 1/2 | |
| ... | ... | ... | ... | ... | 93 1/2 | |
| ... | ... | ... | ... | ... | 90 1/4 | |
| 86,37,52,000(Mar.) | 1,14,76,87,000.(Oct.) | 1,53,46,48,000 (Mar.) | 1,85,14,79,000 (Jan.) | 1,70,73,89,000 (April) | 1,79,71,49,000 (Oct.) | |
| 65,46,90,000 (Apl.) | 82,72,35,000 (Apl.) | 1,05,96,05,000 (Apl.) | 1,53,72,07,000 (April). | 1,57,62,82,000 (Sept.) | 1,67,31,85,000 (Apl.) | |
| 10,421 | 10,975 | 10,587 | 10,670 | 10,713 | | |
| 1,647,419 | 1,637,600 | 1,677,407 | 1,760,442 | 17,87,957 | | |
| 16,59,53,401 | 16,58,46,470 | 18,82,44,749 | 21,34,84,628 | 22,86,21,716 | | |
| 100·73 | 101·27 | 112·22 | 121·26 | 121,73 | | |
| 1,27,40,884 | —1,06,931 | 2,23,98,279 | 2,52,39,787 | 1,51,37,088 | | |

(*a*) Include remittance of the Currency Department (*b*) Figures for 11 months (April to February). † Represents net exports of gold.
(*c*) Net imports.

# Appendix II.

## Commercial and Financial Statistics.

**Table II.—Capital Expenditure on State Railways in 1920-1921, and Estimated Expenditure on such works in 1921-1922 and 1922-1923, and to end of 1922-1923.**

| Railways. | To end of 1919-1920. | Accounts, 1920-1921. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. | To end of 1922-1923. | Sanctioned outlay. | Balance remaining unspent. | Remarks. |
|---|---|---|---|---|---|---|---|---|
| OPEN LINES. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| **State Railways Worked by State.** | | | | | | | | |
| Aden Railway | 6,25,608 | 3,64,301 | 2,45,000 | 2,00,000 | 14,34,909 | | | |
| Delhi (new Capital) Railway Works scheme. | ... | 3,34,058 | 11,76,000 | 26,00,000 | 41,10,058 | ... | ... | |
| Eastern Bengal | 38,16,36,468 | 89,24,178 | 1,14,70,000 | 1,25,31,000 | 41,45,61,646 | ... | ... | |
| Frontier Railway Reserve Material | 27,03,642 | 23,57,479 | 1,53,000 | ... | 52,14,121 | ... | ... | |
| Jodhpur-Hyderabad (British Section) | 45,73,426 | 44,500 | 55,000 | 3,00,000 | 49,72,926 | ... | ... | |
| Laki Pezu Tank | 35,76,285 | —37,806 | ... | ... | 35,38,479 | ... | ... | |
| North Western | 90,81,40,338 | 2,66,34,321 | 2,45,44,000 | 2,91,10,000 | 98,84,28,659 | ... | ... | |
| Nuskhi Extension | 3,02,15,492 | 10,79,494 | 3,22,000 | ... | 3,16,16,986 | ... | ... | |
| Oudh and Rohilkhand | 23,17,89,372 | 70,27,889 | 48,19,000 | 1,30,00,000 | 25,66,36,261 | ... | ... | |
| Stores | —1,00,28,549 | 1,49,03,183 | 2,35,50,000 | 91,40,000 | 3,75,64,634 | ... | ... | |
| Abandoned projects | 32,86,316 | ... | ... | ... | 32,86,316 | ... | ... | |
| Total State Railways worked by State | 1,55,65,18,398 | 6,16,31,597 | 6,63,34,000 | 6,68,81,000 | 1,75,13,64,995 | ... | ... | |

## Appendix II—*continued.*

| Railways. | To end of 1919-1920. | Accounts, 1920-1921. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. | To end of 1922-1923. | Sanctioned outlay. | Balance remaining unspent. | Remarks. |
|---|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| OPEN LINES. | | | | | | | | |
| **State Railways Worked by Companies.** | | | | | | | | |
| Ahmedabad-Dholka | ... | ... | ... | 13,00,000 | 13,00,000 | ... | ... | |
| Agra-Delhi Chord | 1,49,23,141 | 1,12,704 | 1,50,000 | 3,00,000 | 1,54,85,845 | .. | ... | |
| Assam-Bengal Part I | 16,84,24,928 | 46,816 | 11,000 | 1,35,000 | 18,55 18,999 | ... | ... | |
| Assam-Bengal „ II | | 56,59,255 | 53,77,000 | 58,65,000 | | ... | ... | |
| Baran-Kotah | 49,50,687 | —33 | 10,000 | 2,000 | 49,62,604 | ... | ... | |
| Bengal-Nagpur Railway | 44,72,20,965 | 3,72,84,291 | 3,79,33,000 | 3,20,00,000 | 55,44,37,356 | ... | ... | |
| Bezwada Extension | 12,50,373 | 51,434 | 40,000 | 70,000 | 14,11,807 | ... | ... | |
| Bhopal | 41,55,174 | 2,55,610 | 1,25,000 | 78,000 | 46,13,784 | ... | ... | |
| Bombay, Baroda and Central India | 47,84,98,510 | 1,95,41,579 | 1,61,80,000 | 3,20,00,000 | 54,61,70,089 | ... | ... | |
| Burma | 19,99,47,910 | 37,47,905 | 51,79,000 | 68,02,000 | 21,66,99,355 | ... | ... | |
| Burma Railway Extensions | | 1,76,540 | 73,000 | 7,73,000 | | ... | ... | |
| Cawnpur-Banda | 81,12,357 | 47,383 | 25,000 | 1,04,000 | 82,88,740 | ... | ... | |
| Coonoor-Ootacamund | 43,07,344 | 4,35,320 | 1,85,000 | 1,27,000 | 50,54,664 | ... | ... | |
| Dhone-Kurnool | 10,18,342 | ... | 5,000 | 5,000 | 10,28,342 | ... | ... | |
| East Indian including South Behar | 72,92,47,876 | 3,13,37,437 | 2,33,61,000 | 3,69,07,000 | 82,08,53,313 | ... | ... | |
| Great Indian Peninsula Railway System | 68,21,27,974 | 2,64,37,606 | 1,96,15,000 | 3,37,53,000 | 76,19,33,580 | ... | ... | |
| Lucknow-Bareilly | 1,38,22,948 | 96,337 | 1,15,000 | 5,00,000 | 1,45,34,285 | ... | .. | |
| Madras and Southern Mahratta Railway | 39,10,80,460 | 1,43,17,791 | 1,30,85,000 | 1,85,23 000 | 43,70,06,251 | ... | ... | |
| South Indian | 15,62,28,055 | 1,04,47,715 | 1,46,45,000 | 2,11,60,000 | 20,24,80,770 | ... | ... | |
| Southern Shan States (Thazi Aungban) | 1,59,49,146 | 3,68,304 | 4,55,000 | 4,25,000 | 1,71,97,450 | ... | ... | |
| Tinnevelly Quilon (British Section) | 43,67,890 | —369 | 16,000 | 92,000 | 44,75,521 | | | |
| Ditto (Indian State Section) | 1,18,61,146 | 8,426 | 13,70.000 | 6,21.000 | 1,38 60,572 | ... | ... | |
| Tirhoot Railway and Extensions | 8,10,01,839 | 10,75,428 | 12,81,000 | 15,00,000 | 8,48,58,267 | ... | ... | |
| | | | | | | ... | ... | |
| | | | | | | ... | .. | |
| Total State Railways worked by Companies | 3,41,84,96,165 | 15,14,47,429 | 13,91,86,000 | 19,30,42,000 | 3,90,21,71,594 | ... | ... | |
| Total Open Lines | 4,97,50,14,563 | 21,30,79,026 | 20,55,20,000 | 25,99,23,000 | 5,65,35,36,589 | ... | ... | |

## Appendix II—*continued.*

| Railways. | To end of 1919-1920. | Accounts, 1920-1921. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. | To end of 1922-1923. | Sanctioned Outlay. | Balance remaining unspent. | Remarks. |
|---|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| Total Open Lines brought forward | 4,97,50,14,563 | 21,30,79,026 | 20,55,20,000 | 25,99,23,000 | 5,65,35,36,589 | ... | ... | |
| LINES UNDER CONSTRUCTION. | | | | | | | | |
| **State Railways worked by State.** | | | | | | | | |
| Kaur Kirgi | ... | 12,78,713 | 2,10,000 | ... | 14,88,713 | ... | ... | Estimate not yet sanctioned. |
| Khyber Railway | ... | 9,23,248 | 54,76,000 | 70,00,000 | 1,33,99,248 | * | | * Estimate amounting to Rs. 198,09,201 (including survey expenses) has been received and is under consideration. |
| Tank Murtaza | 16,83,163 | 3,51,175 | —1,35,000 | ... | 18,99,338 | 19,51,835 | 52,497 | |
| **State Railways worked by Companies.** | | | | | | | | |
| Amda Jamda | 3,52,663 | 24,80,829 | 19,15,000 | 28,00,000 | 75,48,492 | 75,48,492 | | |
| Bermo Sawang Section— | | | | | | | | |
| East Indian Railway share | ... | 78,000 | 1,72,000 | 9,63,000 | 12,13,000 | | | |
| Bengal Nagpur Railway share | ... | 98,199 | 3,22,000 | 9,63,000 | 13,83,199 | | | |
| Bombay Harbour Branch Extension | 85,79,322 | 5,736 | 12,74,000 | 15,50,000 | 64,09,058 | 71,97,901 | 7,88,843 | |
| Vizagapatam Harbour | ... | 9,77,115 | 2,78,000 | 5,00,000 | 17,55,115 | † | | † Estimates are awaited. |
| Itarsi-Nagpur and branch to Pench Valley Coalfields | 2,72,19,344 | 5,43,286 | 23,50,000 | 20,00,000 | 3,21,12,630 | 2,85,15,862 | | |
| Kasta Branch | 63,060 | 14,24,000 | 11,18,000 | ... | 26,05,000 | 17,13,285 | ... | Revised Estimate awaited. |
| Onlajori Badampahar Branch | 3,93,021 | 8,66,295 | 10,10,000 | 4,05,000 | 26,74,316 | 18,64,640 | | |
| Parvatipore Singapore Road | 2,89,484 | 10,942 | 15,000 | ... | 3,15,426 | 2,50,42,000 | 2,47,26,574 | |
| Pinmana Magwe | 1,64,890 | —1,64,890 | ... | ... | ... | | | |
| Majri Rajur | ... | ... | 1,40,000 | 10,00,000 | 11,40,000 | | | |
| Kharanpura coal fields— | | | | | | ... | ... | Estimate awaited |
| Bengal Nagpur | ... | ... | 2,00,000 | 15,00,000 | 17,00,000 | | | |
| East Indian | ... | ... | 4,000 | ... | 4,000 | | | |
| Dholka Dhanduka | ... | 5,73,767 | 5,00,000 | 15,00,000 | 25,73,767 | ‡ | | ‡ Revised estimate amounting to Rs. 31,03,674 have been received and the Secretary of State's sanction will be applied for on receipt of Bombay, Baroda and Central India Railway, Board of Directors' approval. to the Estimates. |
| Total Lines under construction | 3,37,44,887 | 94,46,415 | 1,48,49,000 | 2,01,81,000 | 7,82,21,302 | | | |
| Reserve | ... | ... | .... | 48,39,000 | 48,39,000 | | | |
| Readjustment of capital outlay in England of Railway Companies at the average rate | —2,25,02,250 | 1,98,90,229 | ... | ... | —26,12,021 | | | |
| *Deduct*—Lapses anticipated | ... | ... | ... | ... | | | | |
| TOTAL | 4,98,62,57,200 | 24,24,15,670 | 22,03,69,000 | 28,49,43,000 | 5,73,39,84,870 | | | |
| **Provincial—** | | | | | | | | |
| Jorhat | 11,19,393 | 21,701 | ... | ... | 11,41,094 | | | |
| United Provinces—Resin distillery | 1,77,761 | —4,830 | ... | ... | 1,72,931 | | | |
| Burma | ... | 19,51,576 | ... | ... | 19,51,576 | | | |
| GRAND TOTAL | 4,98,75,54,354 | 24,43,84,117 | 22,03,69,000 | 28,49,43,000 | 5,73,72,50,471 | | | |

## Appendix II.—*concluded.*

| Railways. | To end of 1919-1920. | Accounts, 1920-1921. | Revised Estimate, 1921-1922. | Budget Estimate, 1922-1923. | To end of 1922-1923. | Sanctioned outlay. | Balance remaining unspent. | Remarks. |
|---|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| **Grand Total brought forward** . | 4,98,75,54,354 | 24,43,84,117 | 22,03,69,000 | 28,49,43,000 | 5,73,72,50,471 | | | |
| **Distributed as under—** | | | | | | | | |
| Capital Expenditure on Railways (not charged to Revenue)— | | | | | | | | |
| 53. Construction of Railways . . | 3,58,10,41,565 | 25,88,88,911 | 23,67,59,000 | 30,00,00,000 | 4,37,66,89,476 | | | |
| Total undischarged liability involved in the purchase by the State of the Capital of the Old Guaranteed Railway Companies. | 1,26,55,59,640* | —1,64,12,400* | —1,63,90,000 | —1,50,57,000 | 1,21,77,00,240 | | | |
| Capital Expenditure on Railways (charged to Revenue)— | | | | | | | | |
| 13. Construction of Railways— | | | | | | | | |
| Central . . . . . | 13,32,56,750 | —60,841 | ... | ... | 13,31,95,909 | | | |
| Provincial . . . . . | 76,96,399 | 19,68,447 | ... | ... | 96,64,846 | | | |
| **Total as above** . | 4,98,75,54,354 | 24,43,84,117 | 22,03,69,000 | 28,49,43,000 | 5,73,72,50,471 | | | |

| Class and name of Railway. | Total initial liabilities. | Deduct | | Total undischarged liabilities. |
|---|---|---|---|---|
| | | Amount redeemed by annuities. | Amount redeemed by sinking fund. | |
| | Rs. | Rs. | Rs. | Rs. |
| State Railways worked by the State— | | | | |
| Eastern Bengal Railway . . . . | 4,92,01,450 | 55,97,490 | 27,03,600 | 4,09,00,360 |
| North Western Railway . . . . | 14,00,95,290 | 1,68,99,170 | 2,21,81,310 | 10,10,14,810 |
| Oudh and Rohilkhand Railway . . . | 10,33,60,490 | ... | ... | 10,33,60,490 |
| Total . | 29,26,57,230 | 2,24,96,660 | 2,48,84,910 | 24,52,75,660 |
| State Railways worked by the Company— | | | | |
| Bombay, Baroda and Central India Railway . | 14,48,04,460 | ... | ... | 14,48,04,460 |
| East Indian Railway . . . . | 37,51,10,740 | 5,54,96,980 | 3,80,39,910 | 28,15,73,850 |
| Great Indian Peninsula Railway . . . | 47,51,06,680 | 8,96,35,020 | ... | 38,54,71,660 |
| Madras and Southern Mahratta Railway . | 14,96,43,580 | 1,45,47,540 | ... | 13,50,96,040 |
| South Indian Railway . . . . | 5,69,25,570 | ... | ... | 5,69,25,570 |
| Total . | 1,20,15,91,030 | 15,96,79,540 | 3,80,39,910 | 1,00,38,71,580 |
| Grand Total . | 1,49,42,48,260 | 18,21,76,200 | 6,29,24,820 | 1,24,91,47,240* |

## STATE RAILWAYS WORKED BY THE STATE.

## Appendix II—*continued.*

### Commercial and Financial Statistics.

**Table III.—Gross receipts, working expenses, and net receipts of State Railways for five years ending 1920-1921, with Revised Estimates for 1921-1922 and Budget Estimates for 1922-1923.**

**(Omitting 000, except in Accounts.)**

| State Railways. | Accounts | | | | | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|---|---|
| | 1916-1917. | 1917-1918. | 1918-1919. | 1919-1920. | 1920-1921. | | |
| | *M.* | *M.* | *M.* | *M.* | *M.* | *M.* | *M.* |
| Open mileage at beginning of year | 26,433 | 26,572 | 26,464 | 26,106 | 26,580 | 26,799 | 26,864 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Gross Receipts.** | | | | | | | |
| INDIA. | | | | | | | |
| State Railways worked by the State. | | | | | | | |
| Aden Tramway | 1,53,579 | 1,43,485 | 2,00,020 | —1,20,109 | 2,69,839 | 2,60 | 2,50 |
| Eastern Bengal | 3,70,21,485 | 3,48,74,771 | 3,82,07,444 | 4,45,45,072 | 4,61,08,642 | 4,25,00 | 5,35,90 |
| North Western | 9,66,56,409 | 12,24,77,224 | 12,46,94,829 | 12,32,80,625 | 12,97,73,559 | 13,15,00 | 15,85,50 |
| Oudh and Rohilkhand | 2,61,76,455 | 2,82,00,370 | 3,29,48,935 | 3,14,64,244 | 3,26,48,785 | 3,28,50 | 3,67,40 |
| State Railways worked by Companies. | | | | | | | |
| Assam-Bengal | 68,86,463 | 72,64,284 | 79,08,099 | 1,04,20,975 | 1 02,65,216 | 88,00 | 1,27,20 |
| Bengal-Nagpur | 5,09,20,784 | 5,58,76,074 | 6,19,41,370 | 6,59,31,392 | 6,39,37,399 | 6,60,60 | 7,76,90 |
| Bezwada Extension | 4,89,673 | 5,13,179 | 5,22,461 | 5,47,023 | 5,29,380 | 5,90 | 6,00 |
| Bombay, Baroda and Central India System | 7,52,69,779 | 8,02,80,536 | 9,46,92,452 | 9,67,12,806 | 9,94,16,377 | 10,40,00 | 12,50,90 |
| Burma | 2,21,87,251 | 2,20,65,877 | 2,63,70,481 | 2,97,14,049 | } 3,26,29,019 | 3,46,00 | 4,22,00 |
| Burma Railway Extensions | 20,69,109 | 20,58,705 | 25,45,496 | 27,14,727 | | | |
| Southern Shan States | 3,38,109 | 4,39,884 | 4,80,827 | 5,29,400 | | | |
| East Indian | 11,02,01,205 | 11,61,42,477 | 13,43,96,239 | 13,25,76,404 | 13,84,16,068 | 13,20,00 | 17,27,80 |
| Great Indian Peninsula including Indian Midland | 9,67,50,475 | 10,55,60,401 | 11,88,02,697 | 12,60,42,370 | 12,79,35,857 | } 13,55,00 | 16,66,40 |
| Agra-Delhi Chord | 30,47,574 | 33,67,179 | 44,50,953 | 46,98,873 | 50,30,667 | | |
| Bhopal | 7,87,907 | 9,94,950 | 11,16,515 | 11,00,906 | 12,76,267 | | |
| Baran-Kotah | 2,43,097 | 1,61,978 | 1,83,314 | 1,88,936 | 1,62,889 | | |
| Cawnpore-Banda | 3,68,286 | 3,08,939 | 3,20,819 | 3,73,187 | 3,89,254 | | |
| Jodhpur-Hyderabad (British Section) | 13,81,452 | 19,53,656 | 19,90,444 | 15,81,739 | 18,78,972 | 17,40 | 19,10 |
| Lucknow-Bareilly | 25,27,980 | 26,74,674 | 31,54,296 | 30,02,910 | 29,81,726 | 36,00 | 35,30 |
| Madras and Southern Mahratta Railway | 4,68,93,840 | 5,20,76,904 | 5,42,92,629 | 5,73,95,956 | } 6,22,45,540 | } 6,40,00 | 7,34,60 |
| Mysore State lines | 39,86,015 | 41,47,617 | 44,48,501 | 41,36,445 | | | |
| Dhone-Kurnool | 1,40,000 | 1,20,216 | 1,48,714 | 1,76,829 | 1,82,083 | | |
| South Indian | 3,22,67,342 | 3,53,61,272 | 3,58,90,979 | 4,01,48,113 | } 4,27,06,378 | 4,65,00 | 5,56,10 |
| Tinnevelly-Quilon | 10,27,354 | 11,46,203 | 15,11,462 | 18,44,613 | | | |
| Tirhoot | 97,89,074 | 92,55,829 | 1,09,19,483 | 1,11,33,060 | 1,09,91,316 | 1,30,00 | 1,36,40 |
| Exchange | ... | ... | ... | ... | ... | 2,44 | 2,42 |
| Total Central | 62,75,80,697 | 68,74,66,684 | 76,21,39,459 | 79,01,40,545 | 80,97,75,233 | 81,77,44 | 99,52,42 |
| India | | | | | 80,92,89,163 | 81,77,44 | 99,52,42 |
| England | 17,22,916 | 16,09,425 | 3,08,925 | 7,29,105 | 4,86,070 | 4,86 | 4,84 |
| **Total** | 62,93,03,613 | 68,90,76,109 | 76,24,48,384 | 79,08,69,650 | 80,97,75,233 | 81,82,30 | 99,57,26 |

## Appendix II—*continued.*

| State Railways. | Accounts | | | | | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|---|---|
| | 1916-1917. | 1917-1918. | 1918-1919. | 1919-1920. | 1920-1921. | | |
| **Working Expenses.** | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| INDIA. | | | | | | | |
| State Railways worked by the State. | | | | | | | |
| den Tramway . . . | 1,09,400 | 1,75,253 | 2,56,014 | —48,185 | 2,16,857 | 3,30 | 3,35 |
| astern Bengal . . . | 2,00,85,079 | 2,01,05,680 | 2,25,04,170 | 3,02,66,454 | 2,98,24,284 | 3,76,53 | 4,25,99 |
| 'orth Western . . . | 4,83,45,891 | 5,24,46,336 | 6,86,38,796 | 8,04,38,819 | 10,09,84,480 | 12,65,74 | 12,37.03 |
| udh and Rohilkhand . . | 1,14,27,227 | 1,07,12,455 | 1,32,83,182 | 1,82,62,300 | 1,94,62,004 | 2,44,76 | 2,49,23 |
| State Railways worked by Companies. | | | | | | | |
| ssam-Bengal . . . | 52,42,112 | 55,08,773 | 62,66,776 | 84,18,871 | 83,01,021 | 87,00 | 97,12 |
| engal-Nagpur . . . | 2,48,54,230 | 2,63,97,566 | 3,03,67,272 | 3,88,42,829 | 4,38,60,570 | 4,70,45 | 4,67,19 |
| ezwada Extension . . . | 2,81,452 | 2,44,255 | 1,68,179 | 2,48,211 | 2,87,307 | 4,85 | 4,25 |
| ombay, Baroda and Central India System . . . | 3,19,13,142 | 3,50,50,406 | 4,19,55,223 | 5,33,70,406 | 6,75,12,138 | 8,20,94 | 8,75,00 |
| urma Railways . . | 1,15,02,897 | 1,17,98,856 | 1,38,97,390 | 1,62,64,168 | | | |
| Burma Railway Extensions . | 10,95,202 | 11,19,275 | 14,27,905 | 17,16,303 | 2,21,87,583 | 2,54,22 | 2,57,87 |
| Southern Shan States . | 2,82,832 | 4,16,935 | 4,53,119 | 5,29,640 | | | |
| ast Indian . . . . . | 4,07,26,689 | 4,08,74,776 | 4,65,18,866 | 5,88,77,044 | 7,40,71,007 | 8,48,69 | 9,13,40 |
| reat Indian Peninsula including Indian Midland . . . | 5,29,32,189 | 5,71,01,787 | 6,96,05,861 | 7,86,59,628 | 9,67,79,411 | | |
| Agra-Delhi Chord . . | 16,37,296 | 17,92,510 | 25,44,969 | 29,41,579 | 38,72,250 | | |
| Bhopal . . . . | 4,22,626 | 5,29,657 | 6,37,130 | 6,90,091 | 9,82,380 | 12,88,44 | 12,25,24 |
| Baran-Kotah . . | 1,21,549 | 80,989 | 91,657 | 94,468 | 1,62,889 | | |
| Cawnpore-Banda . . | 2,17,595 | 1,79,755 | 1,99,214 | 2,54,305 | 3,19,083 | | |
| odhpur-Hyderabad (British Section) . . . . . | 7,61,906 | 8,87,890 | 9,37,398 | 10,00,697 | 12,48,456 | 15,02 | 19,75 |
| ucknow-Bareilly . . . | 9,94,176 | 11,01,609 | 13,29,501 | 16,91,503 | 19,96,187 | 16,75 | 17,24 |
| Iadras and Southern Mahratta Railway . . . . | 2,42,85,663 | 2,46,21,576 | 2,68,03,903 | 3,17,82,724 | | | |
| Mysore State lines . . | 20,8[illegible],945 | 19,91,442 | 22,00,032 | 22,76,326 | 4,17,61,942 | 4,55,80 | 4,80,53 |
| Dhone Kurnool . . | 84,783 | 73,322 | 87,891 | 1,07,174 | 1,29,317 | | |
| outh Indian . . . . | 1,61,70,522 | 1,52,01,322 | 1,57,04,971 | 2,18,16,709 | | | |
| Tinnevelly Quilon . . | 6,08,598 | 6,68,841 | 7,05,884 | 11,03,963 | 2,56,95,051 | 3,34,68 | 3,83,30 |
| irhoot . . . . . | 33,94,803 | 43,76,248 | 40,64,400 | 49,49,391 | 54,83,297 | 56,89 | 57,19 |
| eserve . . . . . | ... | ... | ... | ... | ... | 26,50 | 71,82 |
| Miscellaneous Expenditure in England . . . . | ... | ... | ... | .. | ... | 12,57 | 13,50 |
| **Exchange** . . | ... | ... | ... | ... | ... | 6,27 | 6,74 |
| **Total Central** . | 29,95,84,804 | 31,34,57,514 | 37,06,49,703 | 45,45,55,861 | 54,51,37,464 | 65,88,80 | 68,05,74 |

## Appendix II—*continued.*

| State Railways. | Accounts | | | | | Revised Estimate, 1921-22. | Budget Estimate, 1922-23. |
|---|---|---|---|---|---|---|---|
| | 1916-1917. | 1917-1918. | 1918-1919. | 1919-1920. | 1920-1921. | | |
| **Net Receipts.** | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| INDIA. | | | | | | | |
| State Railways worked by the State. | | | | | | | |
| Aden Tramway | 44,179 | —31,768 | —55,994 | —71,924 | 52,982 | —70 | —85 |
| Eastern Bengal | 1,69,36,406 | 1,47,69,091 | 1,57,03,274 | 1,42,78,618 | 1,62,84,358 | 48,47 | 1,09,91 |
| North-Western | 4,83,10,518 | 7,00,30,888 | 5,60,56,033 | 4,28,41,806 | 2,87,89,079 | 49,26 | 3,48,47 |
| Oudh and Rohilkhand | 1,47,49,228 | 1,74,87,915 | 1,96,65,753 | 1,32,01,444 | 1,31,86,781 | 83,74 | 1,18,17 |
| State Railways worked by Companies. | | | | | | | |
| Assam-Bengal | 16,44,351 | 17,55,511 | 16,41,323 | 20,02,104 | 19,64,195 | 1,00 | 30,08 |
| Bengal-Nagpur | 2,60,66,554 | 2,94,78,508 | 3,15,74,098 | 2,70,88,563 | 2,00,76,829 | 1,90,15 | 3,09,71 |
| Bezwada Extension | 2,08,221 | 2,68,924 | 3,54,282 | 2,98,812 | 2,42,073 | 1,05 | 1,75 |
| Bombay, Baroda and Central India System | 4,33,56,637 | 4,52,30,130 | 5,27,37,229 | 4,33,42,400 | 3,19,04,239 | 2,19,06 | 3,75,90 |
| Burma Railways | 1,06,84,354 | 1,02,67,021 | 1,24,73,091 | 1,34,49,941 | | | |
| Burma Railway Extensions | 9,73,907 | 9,39,430 | 11,17,591 | 9,98,424 | 1,04,41,486 | 91,78 | 1,64,13 |
| Southern Shan States | 55,277 | 22,949 | 27,708 | —240 | | | |
| East Indian | 6,94,74,516 | 7,52,67,701 | 8,78,77,373 | 7,36,99,360 | 6,43,45,061 | 4,71,31 | 8,14,40 |
| Great Indian Peninsula including Indian Midland | 4,38,18,286 | 4,84,58,614 | 4,91,96,836 | 4,73,82,742 | 3,11,56,446 | | |
| Agra-Delhi Chord | 14,10,278 | 15,74,669 | 19,05,984 | 17,57,294 | 11,58,417 | | |
| Bhopal | 3,65,281 | 4,65,293 | 4,79,385 | 4,10,815 | 2,93,887 | 66,56 | 4,41,16 |
| Baran-Kotah | 1,21,548 | 80,989 | 91,657 | 94,468 | ... | | |
| Cawnpore-Banda | 1,50,691 | 1,29,184 | 1,21,605 | 1,18,879 | 70,171 | | |
| Jodhpur-Hyderabad (British Section) | 6,19,546 | 10,65,766 | 10,53,046 | 5,81,042 | 6,30,516 | 2,38 | —65 |
| Lucknow-Bareilly | 15,33,804 | 15,73,065 | 18,24,795 | 13,11,407 | 9,85,589 | 19,25 | 18,06 |
| Madras and Southern Mahratta Railway | 2,26,08,177 | 2,74,55,328 | 2,74,88,726 | 2,56,13,232 | | | |
| Mysore State lines | 18,99,070 | 21,56,175 | 22,48,469 | 18,60,119 | 2,04,83,598 | 1,84,20 | 2,54,07 |
| Dhone-Kurnool | 55,217 | 46,894 | 60,823 | 69,655 | 52,766 | | |
| South Indian | 1,60,96,820 | 2,01,59,950 | 2,01,86,008 | 1,83,31,404 | | | |
| Tinnevelly-Quilon | 4,18,756 | 4,77,362 | 8,05,578 | 7,40,650 | 1,70,11,327 | 1,30,92 | 1,72,80 |
| Tirhoot | 63,94,271 | 48,79,581 | 68,55,083 | 61,83,669 | 55,08,019 | 73,11 | 79,21 |
| Reserve | ... | ... | ... | ... | ... | —26,50 | —71,82 |
| Miscellaneous Expenditure in England | ... | ... | ... | ... | ... | —12,57 | —13,50 |
| Exchange | ... | ... | ... | ... | ... | —3,83 | —4,32 |
| Total Central | 32,7995,893 | 37,40,09,170 | 39,14,89,756 | 33,55,84,684 | 26,46,37,769 | 15,88,64 | 31,46,68 |
| India<br>England | 17,22,916 | 16,09,425 | 3,08,925 | 7,29,105 | ... | 4,86 | 4,84 |
| **Grand Total** | 32,97,18,809 | 37,56,18,595 | 39,17,98,681 | 33,63,13,789 | 26,46,37,769 | 15,93,50 | 31,51,52 |

## Appendix II—*concluded.*

### Table IV.—Capital Account of Indian Branch Line Companies.

| Railways. | Actuals, 1920-21. | | Revised Estimate, 1921-22. | | Budget Estimate, 1922-23. | |
|---|---|---|---|---|---|---|
| | Receipts. | Withdrawals. | Receipts. | Withdrawals. | Receipts. | Withdrawals. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ahmedabad-Parantij | ... | 954 | ... | ... | ... | ... |
| Ahmedabad-Dholka | 200 | 2,461 | ... | ... | ... | ... |
| Amritsar-Patti-Kasur | 12,000 | 16,450 | 73 | 73 | 15 | 15 |
| Baripada Talband | 93,150 | 1,62,041 | ... | ... | ... | ... |
| Branch lines under the Bombay, Baroda and Central India Railway. | ... | ... | 1,49 | 1,22 | 2,75 | 2,75 |
| Branch lines under the audit of the Government Examiner, East Indian Railway. | 6 | 3,945 | ... | ... | ... | ... |
| Central Provinces Railways | 32,000 | 45,905 | 46 | 57 | 1,04 | 1,04 |
| Chaparmukh-Silghat | 2,95,099 | 3,53,030 | 72 | 72 | ... | ... |
| Dhond-Baramati | 5,000 | 2,024 | 1 | 4 | 20 | 20 |
| Hardwar-Dehra | 30,168 | 26,536 | 34 | 48 | 75 | 75 |
| Kalighat-Falta | ... | ... | ... | ... | ... | ... |
| Katakhal-Lala Bazar | 65,000 | 45,679 | 7,80 | 7,80 | 13,95 | 13,95 |
| Mymensingh-Bhairab Bazar | ... | ... | 1,20 | 1,20 | | |
| Khulna-Bagerhat | 9,493 | 27,726 | 43 | 48 | 71 | 71 |
| Mandra-Bhaun | ... | ... | ... | ... | 46 | 54 |
| Mymensingh-Jagannathgunj | ... | ... | ... | ... | ... | ... |
| Pachora-Jamner | —30,000 | 18,660 | 4 | 10 | 25 | 25 |
| Panposh-Raipura | 1,24,846 | 1,29,092 | ... | ... | ... | ... |
| Sara-Serajgunj | ... | 32,018 | 1,32 | 1,31 | 4,59 | 4,59 |
| Sialkot-Narawal | ... | 1,070 | 2 | ... | 5 | 5 |
| Tapti Valley | 2,300 | 36,681 | ... | ... | ... | ... |
| Variations anticipated | ... | ... | —1 | +31 | ... | ... |
| Total | 6,39,262 | 9,04,272 | 14,55 | 14,96 | 24,90 | 24,98 |
| Net receipts or withdrawals | ... | 2,65,010 | .... | 41 | ... | 8 |

PRINTED BY
SUPERINTENDENT GOVERNMENT PRINTING, INDIA,
DELHI

## Moral and Material Progress and Condition of India during 1920.

56TH NUMBER.

FOREWORD; List of Maps and Diagrams; India and her Neighbours; The Causes of Public Uneasiness; The Prelude to the Reforms; The Economic Life of India; The People of India; Government and the People; Sources; Despatches of the Government of India and Secretary of State on the Hunter Committee's Report; First Elections; Constitutions of the Provincial Council; Legislative Assembly and the Council of State; Instructions to Governors; Change in the Congress Creed; Summary of the Esher Committee's Report.

H.C. 202 of Session 1921. Price 2*s.* 6*d.* (2*s.* 11½*d.*).

## Loans Raised in England.

RETURN of all Loans raised in England, under the Provisions of any Acts of Parliament, chargeable on the Revenues of India, outstanding at the commencement of the Half-year ended on March 31, 1921, with the Rates of Interest and Total Amount payable thereon, and the Date of the Termination of each Loan, the Debt incurred during the Half-year, the Moneys raised thereby during the Half-year, the Loans paid off or discharged during the Half-year, and the Loans outstanding at the Close of the Half-year, stating, so far as the Public Convenience will allow, the Purpose or Service for which Moneys have been raised during the Half-year.

H.C. 98 of Session 1921. Price 1*d.* (2*d.*).

## REPORT OF THE INDIAN JAILS COMMITTEE, 1919–20.

INTRODUCTORY.—Historical Résumé; General Propositions and Scheme of Report; Inspection and Superintendence of Prisons; Prison Establishment; Executive and Clerical Staff, Warder Establishment, Medical Staff, Technical Staff; Convict Officers; CLASSIFICATION AND SEPARATION OF PRISONERS: The Habitual Convict, The Non-Habitual Convict, Simple Imprisonment and connected Questions; Table showing the proportion of Habituals in the Jail Population on January 1, 1920; SEPARATION AT NIGHT: Introductory; The opinion of the Members in favour of the principle of Association at Night, the opinion of the Members in favour of the principle of Separation at Night, the opinion of the Member who favours Separation at Night for some Classes of Prisoners and Association for other Cases; Prison Labour and Manufactures; PRISON DISCIPLINE: Prison Offences and Punishments; The Use of Irons as a Means of Restraint; Outbreaks and Escapes; REFORMATORY INFLUENCES IN PRISONS: Remission, Gratuities to Prisoners in Prison, Interviews and Letters, Education, Prison Libraries and Supply of Books and Periodicals, Religious and Moral Instruction and Religious Observances in Prison, Rules regarding Interviews and Letters; PRISON HYGIENE AND MEDICAL ADMINISTRATION: Diet, Cooking, Distribution of Food, and connected Matters; Clothing; Bedding and Connected Topics; General Sanitary Arrangements; Hospital Administration and the Care and Nursing of the Sick; Overcrowding; Insanity, Mental Deficiency and Abnormality; Assistance to Prisoners on Release; MEASURES FOR PREVENTION OF COMMITTAL TO PRISON: The Child Offender; The Adolescent Criminal; Probation; Fines, Short Sentences and other points; The Indeterminate sentence; SPECIAL CLASSES OF PRISONERS: Civil Prisoners, State Prisoners, Military Prisoners, Under-Trial Prisoners, Prisoners under Sentence of Death, Female Prisoners, Lepers, Lunatics, Statement showing the Daily Average Number of Civil Prisoners; Visitors; Principles of Prison Construction; Subsidiary Jails; TRANSPORTATION AND THE ANDAMANS: Review of the existing Conditions in the Andamans; Proposals for the Future of the Settlement; Reforms required in the Cellular and Associated Prisons; Reforms required in the Andamans outside the Cellular and Associated Prisons; Opinion of the Member who Dissents; Criminal Tribes; Summary of the Recommendations. Conclusion; Appendices.

[Cmd. 1303] of Session 1919. Price 6*s.* (7*s.*).

## Report of the Committee appointed by the Secretary of State for India to enquire into the Administration and Working of Indian Railways.

INTRODUCTORY; Present Situation of the Indian Railways; Finance and Financial Control; The Constitution, Status, and Functions of the Controlling Authority; Relations between Railways and their Customers; Miscellaneous Cognate Questions; Management and Finance; Summary of Recommendations, and Conclusion.

[Cmd. 1512] of Session 1921. Price 1*s.* 6*d.* (1*s.* 9*d.*).

## REPORT OF THE INDIAN COTTON COMMITTEE.

PART I.—Introductory; Appointment of Committee and Terms of Reference; The Punjab; The North-West Frontier Province; The United Provinces; Central Provinces and Berar; Sind; Bombay; Madras; Burma; Bengal, Bihar and Orissa and Assam; Hyderabad; Baroda; Central India; Rajputana and Mysore; General Recommendations in regard to Agricultural Work on Cotton. PART II.—Commercial; Statistical; Establishment of a Central Cotton Trade Association in Bombay; Formation of a Central Cotton Committee. Conclusion. (*With Maps.*) (1919.)

Price 3*s.* 8*d.* (4*s.* 2*d.*).

## ...nce of Prime Ministers and Representatives of the United Kingdom, The Dominions and India, held in June, July and August, 1921.

SUMMARY OF TRANSACTIONS: Opening speeches; Statement by Mr. Balfour on the League of Nations; Report of the Imperial Air Communications Committee; The Intercommunication and dissemination of news within the British Empire (Memoranda); Conference on State-Aided Empire Settlement; Empire Patent (Memorandum); Nationality of Children born abroad of British Parents (Memorandum); Reply from His Majesty the King to the Address from the Conference.

[Cmd. 1474] Session 1921. Price 9*d*. (11*d*.).

## EAST INDIA (CONSTITUTIONAL REFORMS).

Correspondence regarding the Report of the Committee appointed to make recommendations in connection with the application to Burma of the Provisions of the Government of India Act as amended in 1919.

[Cmd. 1671.] Price 1*s*. (1*s*. 1½*d*.).

Draft Rules under the Government of India Act required to give effect to the notification issued under Sec. 52A (1) of the Act on October 7, 1921, by the Governor-General of India in Council with the sanction of His Majesty, constituting Burma a Governor's Province under the Act.

[Cmd. 1672.] Price 9*d*. (10½*d*.).

## EAST INDIA (CONSTITUTIONAL REFORMS: BURMA).

Report of Committee appointed by the Secretary of State for India to make recommendations on the questions of franchise and electorates, the subjects to be administered by Ministers and all questions ancillary thereto in connection with the application to Burma of the Provisions of the Government of India Act as amended in 1919.

Price 3*s*. (3*s*. 2½*d*.).

## INDIAN STUDENTS' DEPARTMENT.

Report for the year 1920-21 (with a brief review of the period 1916-20).

Price 1*s*. (1*s*. 2*d*.).

Rules under the Government of India Act.

Price 4*s*. 6*d*. (4*s* 10½*d*.).

## EAST INDIA.

Despatch from the Secretary of State for India in Council to the Government of India regarding matters connected with the Pensions of Officers of the Civil Services in India.

[Cmd. 1625.] Price 2*d*. (2½*d*.).

Memorandum by the Under-Secretary of State for India regarding the East India Loans (Railways and Irrigation) Bill.

[Cmd. 1626.] Price 2*d*. (3*d*.).

Digitized with financial assistance from

Government of Maharashtra

on 01 February, 2020